

THE ACCOUNTABILITY OF THE NEW ZEALAND
MEAT PRODUCERS BOARD TO FARMERS
FROM 1922 - 1985

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ABSTRACT

In 1982, the New Zealand Meat Producers Board¹ took control of all New Zealand sheep producers' meat² for export. Although the Board had the statutory authority to control meat marketing when it was formed in 1922, this authority had not been exercised previously.³ The move raised a number of questions, both with regard to the desirability of monopoly control over export sheepmeat marketing, and the degree to which the Board took account of producers' interests in this decision.

The stimulus for this thesis came from a well-qualified analyst of the meat industry who commented that the one group within the meat industry with the least understanding of, or influence upon, the Board's decision to become the sole marketer of meat, was the producers. This seems ironical when the Board is commonly perceived to represent producers' interests. Thus, this thesis represents an attempt to examine the evolving relationship between the Board representatives, and their constituents, all sheep and beef producers of meat for export, between 1922 and 1985. In particular, it reviews the question of whether the Meat Board's decision-making structure has provided primarily for a representation of producers' interests and if not, why not? If not, what other interest groups have influenced the Board?

In an attempt to answer these questions, it is argued that the Meat Producers Board has, since its formation in 1922, developed in such a way that it has been less able to fully represent the interests of its constituents, meat producers. As Mascarenhas commented of producer boards generally: 'though they derive their authority by statute, and have been

1. Hereafter referred to as the Meat Board or Board.

2. Hereafter referred to as producers or farmers.

3. Section 10 of the Meat Export Control Act, 1922.

established by government, they are less amenable to either the interests of primary producers or the public interest'.¹

It will be argued that this development is partially the result of the Board's evolving status as a corporate interest group where it has had a close and continuing relationship with government. A useful definition of corporatism as it applies to interest groups is offered by Cawson: 'An organisation's capacity to represent its members' interests and to discipline them as part of a negotiated interaction with other groups'.²

The Meat Board is formally recognised by government as the central representative institution in the meat industry, but increasingly in return, it has been required to consider a range of interests in the industry before formulating its policy to present to government. This is associated with the declining political influence of producers generally, the Board's increasing commercial activities, and the increasing political influence of certain vertically integrated meat companies. Therefore while the formal responsibility and accountability of the Meat Board has remained primarily to farmers, in reality they are only one of a number of groups which the Board is obliged to take into account in its decision-making process. Other groups with potential to influence the Board include shipping lines, meat processors, and exporting meat companies (see Appendix 1).

As one Australian writer has noted:

Even though the (statutory) authorities are likely to have been created at the behest of farmers, there is no presumption that decisions will always be those that could advance farmers interests... The discretionary powers possessed by statutory marketing authorities enable them to effect wealth transfers among rival economic interests... Unconstrained by the necessity to meet well-specified objectives, such authorities shape the fine detail of agricultural policy in

1. R.Mascarenhas, Public Enterprise in New Zealand, Wellington, New Zealand Institute of Public Administration, 1982, p.22.

2. Alan Cawson, "Introduction", in A.Cawson (ed), Organised Interests and the State - Studies in Meso Corporatism, London, Sage Publications Ltd, 1985, p.5.

the process of adjudicating the competing claims of growers, processors, and marketing authorities. It is practical to assume a statutory authority will endeavour to make a decision which achieves a balance among these interest groups favourable to its own survival and where possible to the advancement of its power and influence.¹

While the Meat Board's corporatist nature has strengthened since the Second World War under the predominantly National governments, recent formal and informal challenges by the 1984 Labour government to the concept of 'producer control' of the various agricultural sectors, through the producer boards, suggests the corporatist trend in the meat industry could be in danger of breaking down.

It is not the function of this thesis to debate the political and commercial advantages of 'producer control'. Rather it is to challenge the common assumption of sheep and beef producers, that the mere existence of a producer board secures their control of the meat industry.

E. Sieper, "Statutory Marketing in Agriculture: Some Uses and Abuses", Australia, Australian National University, Department of Economics, August 1983, p.16. (Paper presented at AGPOL Conference, Wellington, 22-26 August 1983)

It should be noted that Australian marketing boards, unlike New Zealand marketing boards, have, since 1970s included processor and exporter representatives and in some cases boards have been replaced by corporations, eg Meat Livestock Corporation. Nevertheless, they are still perceived as producer boards, as producer representation is dominant, and the legislative functions and objectives enhance producer control philosophy.

CHAPTER I

INTRODUCTION

THE MEAT BOARD AS A CORPORATE INTEREST GROUP

1. Interest Group or Public Corporation?

Before beginning to assess the Meat Board's accountability to meat producers, it is necessary to show that the Board has formal primary responsibility to farmers.¹ The Meat Board is one of a number of producer, or marketing boards in agriculture, whether in New Zealand or internationally.² Although these boards are found in both Commonwealth and developing countries, such as Brazil and Israel, they differ widely in their structure and functions between and within countries.

Producer boards are statutory bodies so that their existence and operations are based upon and authorised by legislative structures. They usually include some government representation.³ In Commonwealth countries however, the board has generally been formed at producers' requests and a majority of the board members are producer representatives. Producer boards then are responsible in some degree to both governments and producers and contain both public and private elements.

Writers differ as to where the dominant responsibility of the boards lies. As they are established by statute, many writers claim they are primarily responsible to the public interest through government, constituting a public corporation or government agency. This view is evident in much of the literature referring to New Zealand producer boards.

1. The definition of accountability as it applies to the Meat Board's accountability to meat producers is given in chapter 4.

2. In New Zealand, the three major producer boards are the Meat Board, Wool Board and Dairy Board. Marketing or producer boards also exist for apples and pears, pork, milk (from supply), tobacco, poultry, potatoes, wheat, eggs and citrus fruit, honey and kiwifruit.

3. Glossary, in S. Hoos, (ed), Agricultural Marketing Boards - An International Perspective, Cambridge, Ballinger Publishing Co, 1979, p.351.

Webb, for example, classified producer boards as public corporations, 'not as a means of introducing administrative autonomy into state marketing enterprise, but as a means of enabling producers to share the responsibility for the centralised economic management of their industries'.¹ Cleveland and Robinson also see producer/marketing boards as part of the government administration system, but semi-independent.² However there is also a substantial body of international/national literature which suggests the dominant responsibility of producer boards is to producers, therefore they can more accurately be classified as private interest groups.

Giddings defines producer boards as 'statutory cooperatives in which the two elements of the statutory framework are the dominant one of producer control self government, and the background one of a publicly-controlled environment'.³ Similarly Metcalf emphasises that the place of the government in the boards is one of sanctioning the cooperative by its authority. He defines a marketing board as a 'producer controlled, compulsory, horizontal organisation, sanctioned by government authority to perform specific marketing operations in the interest of the producer of the commodity concerned'.⁴ Morley agrees that most marketing boards are cooperatives (albeit compulsory rather than voluntary) in two main respects. Firstly the cost of administering them and the advantages of working through them are related to the use made of them by the farmer; in other words the bigger the production, the more, indirectly, he contributes to the costs. Secondly producers themselves have a direct

1. M. Webb, *The Economics of Nationalised Industries*, Nelson, 1973, pp.144-145, quoted in Mascarenhas, (1982), op. cit. p.104.

2. Leslie Cleveland and A.D. Robinson, (ed), Readings in New Zealand Government, Wellington, Reed Education, 1972, pp.16-17.

3. Dr Phillip Giddings, Marketing Boards and Ministers, Farnborough, Saxon House, 1974, p.18.

4. Metcalf, *The Economics of Agriculture*, Middlesex, Penguin, 1969, quoted in J.W. Barker, Agricultural Marketing, Oxford, Oxford University Press, 1981, p.118.

voice in the control of the boards.¹ Campbell also notes that in Australia, producer boards were formed after farmers asked government for 'compulsory cooperatives'.²

Referring specifically to producer boards in New Zealand, Westrate argues corporate bodies developed in New Zealand as a result of a national desire of producers to manage their own affairs and government sympathy with this desire.³ More recently Mascarenhas has argued that producer boards are private monopolies, however 'they are distinguished from other enterprises in the private sector which are subject to greater price and market competition'.⁴ Mascarenhas backs this up with evidence from the New Zealand Standard Institutional Sector Classification Manual, based on the United Nations system of national accounts. He claims this classification indicates the unique position of producer boards which:

- (1) are constituted by statute and serve private enterprise;
- (2) finance their operations from fees and levies in the industry, and from trading surpluses;
- (3) have the majority of members on the controlling body representing producers;
- (4) are given power to carry on their function but the government may interfere on policy matters;
- (5) possess monopoly power granted by government. This distinguishes them from private enterprises subject to greater competition in pricing and marketing.⁵

1. J. Morley, "Marketing Boards", in T. Warley (ed), Agricultural Producers and Their Markets, New York; Augustus Kelley, 1967, pp.344-345.

2. Keith Campbell, Agricultural Marketing and Prices, Cheshire, Cheshire Publishing Ltd, 1973, p.97.

3. G. Westrate, Portrait of a Mixed Economy, New Zealand, University Press, 1959, p.57.

4. R. Mascarenhas, Public Enterprise in New Zealand, Wellington, New Zealand Institute of Public Administration, 1982, p.22.

5. Department Statistics, New Zealand Standard Institutional Sector Classification Manual, September 1975, quoted in Mascarenhas (1982), op.cit. p.105.

Mascarenhas also points out that the producer boards in their submission to the select committee on the Official Information Bill claimed the Bill did not apply to them as they did not come into the category for inclusion on the criteria adopted by the Danks Committee, they were not government departments or bodies, and the Bill was concerned with official information, and their role was to regulate and assist the industry, a fact which entitles them to exclusion.

The criteria for inclusion adopted by the Danks Committee involved organisations where the government appointed members, controlled staffing, provided funds and controlled finance, had statutory powers of direction, received assistance or advice, and had powers to take over functions. The producer boards felt they did not come within these criteria because a majority of their members were appointed by the industries concerned, the government had no control over staffing, they were funded from trading and levies, and the government could not take over their functions.¹

These arguments reinforce the distinction between public corporations as government agencies and producer organisations as non government agencies. It is interesting (though not necessarily detracting from Mascarenhas' argument), that the Danks Committee chose to include the producer boards under the Official Information Act. Nevertheless, they were given wide powers to withhold information from the public on certain commercial grounds. A closer examination of the formation of the Meat Board, however, reinforces the view that the Board was intended to be primarily responsible to producers, rather than the public interest.

2. Formation of the Meat Board

While there has been some debate among historians as to whether the proposal for a Meat Board came from government or farmers, it seems

1. Evening Post 25 February 1982, quoted in Mascarenhas (1982), op.cit. p.104.

apparent that the New Zealand Farmers Union had for a number of years pressed for market reforms; aware of producer dependence on the British market, and their vulnerability to price movements. As far back as 1909, a fall in London meat market prices first led to suggestions for some form of producer or government control over, or participation in, certain export marketing activities.

A conference of producer organisations and other concerned parties was held; including agricultural and pastoral committees, farmer unions, meat export slaughterhouses, Chambers of Commerce, stock agents.¹ One of the proposals was that frozen meat should be sold through a producer organisation or farmers cooperative to be formed for that purpose. This proposal was defeated by the conference however, along with all other proposals for reform.

With the beginning of World War I, the Imperial Commandeer, where all export meat and other commodities were sold to the UK government at governmentally negotiated and fixed prices, offered farmers some security and they no longer pressed for reforms.² The real crisis for farmers came after the war, with the subsequent depression and slump in prices. This led them to turn to the government for assistance. A major factor contributing to the slump in prices was the large quantity of meat still in store in New Zealand at the time of the expiration of the contract; equivalent to (then) one season's current production. Shipment of meat owned by the UK government from store, as well as the shipment of the increased meat production from New Zealand and other sources led to a considerable fall in market prices for meat, particularly mutton, late in 1921.³

1. Michelle Veeman, Marketing Boards in New Zealand, Berkely, University of California, 1972 PhD Thesis, p.258.

2. Ibid, p.259.

3. Ibid, p.260.

Farmers however, believed their difficulties were caused not only by unfavourable market conditions, but also the activities of the middle-men, which prevented them receiving a fair share of the price which the meat realised in London and other populated centres in the UK. Farmers were concerned at the rising costs involved in the production and export of meat, particularly refrigeration and shipping freight rates. One historian concluded:

Post war depression coincided with the return to free marketing of primary produce. Many farmers, interpreting these phenomena as effect and cause, began to revive the demand originally voiced before the war for controlled marketing, such as they had experienced under the wartime 'comandeer'. There was a general feeling they were not getting a reasonable share of the price on the London market, and that 'some unfair power must be operating' against their interests. Guided by American anti-trust literature and laws, they looked for the source of their trouble, not in their own land speculations, or in the fall of world prices, but in the machination of 'meat trusts', in manipulating the London market. There was also a good deal of animosity toward shipping 'rings' or 'combines' and some talk of founding a state shipping line.¹

At the 8th Annual Conference of the New Zealand Council of Agriculture, a motion was carried proposing 'that an effort should be made to organise the frozen meat industry of New Zealand in cooperative lines with a uniform system of grading, and one cooperative selling agency for the meat'.² A deputation of farmers went to the government in October 1921. Prime Minister, Mr William Ferguson Massey of the Reform party sympathised with farmers' requests, and proposed a meat combine or board with compulsory powers. A number of discussions then took place between a parliamentary committee of six, and a producer committee of 14. When these committees agreed on a proposal, producer meetings were held all over the country to assess the level of support for such a proposal. This culminated in a major gathering of producers

1. Keith Sinclair, History of New Zealand, London, Oxford University Press, 1961, pp.228-229.

2. Editorial, The New Zealand Farmer, 1 August 1921.

in Wellington January 1922, with representatives from agricultural and pastoral associations, farmers unions, and other farmer organisations.

The preamble of the Meat Export Control Act, which enabled the formation of the Meat Board, sets out the government's justification for the legislation to assist the interests of one sector of producers:

The economic welfare of New Zealand has lately been adversely affected by reason of a reduction in the business of the production of meat for export, such reductions being in part due to the falling prices, and in part to the charges payable in respect of freight and other services. It has been resolved that the public economic welfare will be promoted by the establishment of a Board of Control with the power to act as the agent of producers in respect of preparation, storage, and shipment in meat in respect of the disposal of such meat beyond New Zealand.¹

It is clear that the government held the view that whatever was best for producers was also best for the nation. When introducing the third reading of the Meat Export Control Bill in Parliament, Prime Minister Massey said: 'The whole prosperity of the country depends on the prosperity of our producers, on the market that happens to be available, and the price they receive'.²

David Jones, chairman of the parliamentary committee on the issue, and also a farmer, said:

The government is practically a partner with every farmer in New Zealand, and with the high rate of taxation they have to put up with, they should have whatever assistance is required from government, for they cannot afford to sit idly by and let the producer be ruined.³

The Meat Board was quite clearly intended to be for producers, and run by producers. As Massey said, 'our object is to make a producers pool, or organisation or combination, or whatever you choose to call it, managed, and run by producers themselves'.⁴

1. Preamble to New Zealand Meat Export Control Act, 1922.

2. New Zealand Parliamentary Debates, (NZPD), Vol.193, 1921, p.126.

3. NZPD, Vol.193, 1921, p.182.

4. NZPD, Vol.194, 1922, p.318.

The extent of the Meat Board's powers was the subject of considerable debate, both within Parliament, and the farming districts. Massey insisted that the Board should possess compulsory powers of acquisition of all meat for export, which would go into a common pool and be sold through the Meat Board alone. A number of prominent farming men however disagreed with the need for such widespread powers for the Board.

At the major meeting of producers in Wellington 1922, one prominent farmer, Walter (later Sir) Mulholland, moved a resolution that the proposed Board should have the power to decide whether it would trade in meat. Massey took Mulholland aside at a break and assured him that his worry would be taken care of in the final scheme. He asked Mulholland to withdraw his resolution, which he did.¹

The revised Meat Export Control Bill, clearly took account of farmers' concerns, proposing to endow the Board with powers to assume control of all or any part of meat for export, yet not necessarily requiring the Board to exercise these powers. Nevertheless, the provision for the Board to have wide control over the whole meat industry was emphasised by Massey:

While it is not intended to interfere more than can be avoided with the people already engaged in the meat trade, nevertheless, the Board will have the power to take action if there is movement on the part of any sector antagonistic to the interests of producers.²

The passing of the Meat Export Control Act 1922, led to the formation of the Meat Producers Board. The Board was permitted a dominant membership of five representatives elected by producers, two government nominees appointed at the recommendation of the Minister of Agriculture as representatives of the New Zealand government, and a

1. Dai Hayward, Golden Jubilee, New Zealand Producers Board, Wellington, Universal Printers Ltd, 1977, p.15.

2. NZPD, Vol.194, 1922, p.110.

representative from stock and station agents.¹ Under the Act, the Board could assume control over all export meat, prohibit or limit exports, impose a levy, negotiate all shipping contracts, lay down conditions on grading, handling, storage and insurance, arrange promotion or make any arrangements it considered necessary for the sale and disposal of New Zealand meat.²

The editor of one of the farming journals of the day, acknowledged the Meat Board was a private corporation with exceptionally wide statutory powers, which he felt was cause for concern:

There is no doubt that the controlling power of the Board has been made not only comprehensive, but absolute with regard to the export of meat. Section 10 (of the Act) expressly makes the Board the sole judge of the limits to which it may exercise control over the industry. This appears to the writer to be going a little too far, in conferring upon, what is after all, a private corporation, unchecked power over public interests.³

It appears then that the Board was set up with primary responsibility to producers and therefore resembles more closely a private interest group, than a public corporation. However, while this formal structure has continued, reinforced by public perception, informally the Board's structure of responsibility and accountability has changed.

Corporatism theory, which describes a particular relationship between private interest groups and the government (as distinct from public corporations) is useful to explain this development.

3. The Corporate Interest Group

Despite the Meat Board's dominant status as a private, rather than public organisation, it is clear that it has had an evolving close

1. The stock and station agent representative was the result of an amendment to the Act designed to compromise with the stock and station agents who were strongly opposed to the Act.

2. Hayward, (1977) op.cit. p.28.

3. Editorial, "A Few Comments on Meat Export Control Act", The New Zealand Farmer, 1 April 1922, p.437.

relationship with government. The nature of this relationship has implications for the Board's accountability to producers.

There are two major theories which attempt to explain the development of interest groups in the governmental policy process. These are theories of pluralism and corporatism. Pluralism theory originated in America, and was adapted by European social scientists to analyse interest group development in Western Europe. A useful definition of pluralism is offered by Schmitter:

... a system of interest representation in which constituent units are organised into an unspecified number of multiple, voluntary, competitive, non-hierachically ordered and self-determined (as to type or scope of interest) categories which are not specifically licensed, recognised, subsidised, created, or otherwise controlled in leadership selection or interest articulation by the state, and which do not exercise a monopoly of representational activities within their respective categories.¹

This indicates three distinct but interrelated components of the relationship of an interest group with the state: firstly the network of interest association; secondly their internal organisation; and finally, their structural relationship.² Wilson expands this definition

1. P. Schmitter, "Still the Century of Corporatism?" The Review of Politics, Vol 36, No.1, January 1974, p.91.

Schmitter later preferred to use the term 'intermediation' to replace 'representation' as 'representation' conveyed a distortive impression that formal interest associations accurately and faithfully transmit the demands and preferences of their members, or worse, are 'representative' in some statistical sense. It also implies representation is the exclusive or even predominant task of such specialised organisations. 'Intermediation' emphasises that associations not only may express interests of their own, fail to articulate or even know the preferences of their members, or play an important role in telling members what their interests should be, but also assume, or are forced to acquire private governmental functions of resource allocation and social control. Representation (or misrepresentation) may only be one of the activities of these associations and not even the most important. "Modes of Interest Intermediation and Modes of Societal Change in West Europe", in P. Schmitter and G. Lehmbruch (ed.), Trends Towards Corporatist Intermediation, London, Sage Publications, 1979.

2. It is not clear here what is meant by the 'state'; whether it refers to Parliament, government or administration, or all three. However from later writings, it appears that Schmitter intends 'state' to include any or all of these components according to which is most applicable for a particular regime.

to explain that between the interest group and the state, there is a well defined boundary. Interest groups are seen as working from outside the institution of government to influence the formal actors involved in government policy-making. There are no institutional or organic links involving interest groups in government's formal policy-making process. Points of contact between interest groups and government are multiple but informal, and voluntary rather than constitutionally mandated.

The relationships between groups, both across and within sectors, are competitive. They will form or mobilise in order to oppose politically dominant forces in each sector. No group, or combination of groups alone provides input into the policy-making process for various issue areas. The government moderates among conflicting demands presented by individual interest groups as it determines official policy.¹

Increasingly however, pluralist theorists have acknowledged that the traditional pluralist theory does not adequately explain some interest group behaviour, and internal organisation in Western democracies. Interest groups have increasingly become involved in institutionalised consultation with government. To help explain these developments, pluralist theorists have preferred to adapt the traditional pluralist model, rather than look for solutions in an alternative theory.

One pluralist theorist, Almond, claims that pluralism theory can include a disaggregated competitive variety at one extreme, and a state controlled variety at the other extreme.² Other writers, however, including Schmitter, explain the relationship between interest groups and the government in Western industrial democracies as an adaptation of corporatism theory, traditionally associated with both fascist and socialist regimes.

1. Frank Wilson, "Alternative Models of Interest Intermediation - the Case of France", British Journal of Political Science, April 1984, pp.176-177.

2. Gabriel Almond, "Corporatism, Pluralism, and Professional Memory", World Politics, Vol 35, January 1983, p.251.

Schmitter defines corporatism as a system of interest representation which is the polar opposite of pluralism:

... a system of interest representation in which the constituent units are organised into a limited number of singular, compulsory, non-competitive, hierarchically ordered, and functionally differentiated categories, recognised or licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders, and articulation of demands and supports.¹

In contrast with pluralism, the boundary between the interest group and government is unclear, or even non-existent. Interest groups are involved directly and formally in the policy-making process through government institutions designed to provide direct representation of interest groups. In this way there are more formal institutional links.

Within a sector, the number of interest groups is limited to usually a single group representing each category of interests. Competition of groups within a sector is minimal because of the representational monopoly created by government or by arrangement among interest groups themselves. Although Schmitter does not extend his theory to include the relationship between sectors, a number of writers argue that competition between sectors is also discouraged in favour of elite negotiation and accommodation. Elites recognise their dependence and work together to accommodate each other's needs. Grassroots membership of groups is compulsory because of either social pressure or the need to belong in order to obtain social security, unemployment, and insurance benefits.²

While Schmitter defines the theories of pluralism and corporatism as concrete ideals and polar opposites, in reality there may be tendencies

1. Schmitter, "Still the Century of Corporatism?" op.cit. p.93.

2. F. Wilson (1984), op.cit. p.178.

of either pluralism or corporatism evident in any democracy. Secondly, most Western industrial democracies have co-existing elements of both pluralism and corporatism. Thirdly, there may be different degrees of corporatism, both between nations, and between different sectors within a nation.

4. The Development of Corporatism

Schmitter confines his definition of corporatism to a political subsystem which is not necessarily influenced by the wider development of economic and social structure. Although other writers make the association between the development of corporatism and historical materialism (Lehmbruch), political economy (Winkler), structural differentiation (Almond), Schmitter criticises this as political reductionism. He claims the assumption that changes in the mode of interest representation are primarily the product or reflection of prior and independent changes in economic and social structure - 'ignores the importance of emergent organisational and political processes'.¹ It follows that elements of corporatism may be found in several different regimes.

Along with most other corporatism theorists, Schmitter does draw a distinction between the nature of corporatism found in Western industrial democracies, and the state imposed corporatism found in fascist and socialist regimes. Schmitter distinguishes between 'societal corporatism' which emerged 'from below' in more or less spontaneous response to prior changes within civil society and the associational sphere itself, and 'state corporatism' which is imposed 'from above' as a matter of deliberate public policy contrived and controlled by pre-existing authority groups.² Comparable terms for

1. Schmitter, "Modes of Interest Intermediation", op.cit. p.91.

2. Ibid, p.66.

'societal corporatism' used by other theorists include liberal corporatism, quasi-corporatism, and neo-corporatism.

Despite Schmitter's reluctance to make an association between the development of corporatism and the theories of the development of society, he does associate societal corporatism with post liberal advanced capitalistic welfare state:

...the more the modern state comes to serve as the indispensable and authoritative guarantor of capitalism by expanding its regulative and integrative tasks, the more it finds that it needs the professional expertise, specialised information, prior aggregation of opinion, contractual capability, deferred participatory legitimacy which only singular, hierarchically ordered, consensus led monopoly can provide. To obtain these the state will agree to devolve upon, or share with those associations much of its newly acquired decisional authority, subject as Keynes noted 'in the last resort to the sovereignty of democracy expressed through Parliament'.¹

Panitch also argues that tendencies towards corporatist activities in liberal democratic societies, accelerated in the late 1930s during World War II, and particularly post war period:

...associated with increased state involvement in managing the advanced capitalist economy, and have centred on the integration of central trade union and business organisations in national economic planning and incomes policy programmes and bodies.²

Corporatist theorist Lehmbruch claims that the corporatist element in 'liberal societies' develops as a result of:

...the replacement of classical liberal capitalism with 'organised capitalism' and a growing 'politicization' of the market by the transformation of competitive economies through the social power of oligopolistic forms and organised interest representatives; the traumatic experience of the economic crisis in 1929, with its subsequent disastrous consequences for political stability in the liberal democracy. Due to this experience, economic policy was subject

1. Schmitter, "Still the Century of Corporatism?", op.cit. p.111.

2. Leo Panitch, "The Development of Corporatism in Liberal Democracies", in P. Schmitter and G. Lehmbruch (ed), Trends Toward Corporatist Intermediation, London, Sage Publications, 1979, p.121.

to the political imperative that full employment, monetary stabilisation and balance of payments and increasingly economic growth ... should be guaranteed and maintained in a balanced condition...¹

Beer specifically identifies the origins of 'quasi-corporatism' in Britain with the development of producer/marketing boards in the early 20th century:

The establishment of producer/marketing boards post WWII, which brought government and producer groups into intimate and continuous relationship in farming, applying and legitimising state policies could be defined as 'quasi corporatist'.²

In the relationship between the producer groups and government, neither the business pressure groups dictated to government, nor government agencies planned the activities of business, but rather decisions were made in the process of bargaining and negotiation. After World War II, Beer observed the increasing 'syndicalist' power of groups in relation to government, as the government became more involved in the management of the economy and therefore needed the cooperation of these groups:

As modern society became more interdependent, government was confronted with a new kind of power. Within this interdependent network, a group controlling a specialised function could paralyze the whole of society by a withdrawal of its activities.³

Beer noted that the formation of the National Economic Development Council (NEDC) in 1962 was potentially a big step forward for the corporatist trend as it was organised on a collectivist tripartite basis with representatives from government, trade unions and both public and private industry.⁴

1. G. Lehmbruch, "Consociational Democracy, Class Conflict and the New Corporatism" in Trends Towards Corporatist Intermediation, op.cit. p.54.

2. L. Panitch, "The Development of Corporatism in Liberal Democracies", op.cit. p.121.

3. Samuel Beer, Britain Against Itself, London, Faber and Faber, 1982, p.64.

4. Ibid, p.64.

5. The Future of Societal Corporatism

Referring specifically to Britain, Beer claims that despite his prediction of the 'coming of the corporate state' with the formation of the NEDC, the prevalence of pluralism has prevented any effective 'collective' policy system to develop. Beer now predicts that in the future, 'syndicalism will be dominated by pluralism. The producers which exercised syndicalist power are a vast array of farmers united only in weak formal groupings'.¹

Schmitter also acknowledges that neo-corporatist arrangements or societal corporatism, face potential contradictions which menace their persistence. Nevertheless he adds, this is common to all systems which represent and accommodate interests, and does not necessarily signal an end to societal corporatism in the future. Schmitter emphasises that societal or liberal corporatism is very weakly legitimated by the political cultures in which it is embedded in Western Europe and especially North America:

Its restrictions on entry of newcomers into the political process and on choice between alternative, competing forms of expression, violate some deeply held traditional norms of democratic conduct. Its elements of hierarchy and compulsion are patently illiberal. Its emphasis on collective solidarity, professionalized representation, passive membership, vicarious satisfaction and proportional inequality, hardly coincides with the civic ideal of an active, individualistic citizenry, and publicly accountable institutions and practices lack the socialized normative support and explicit ideological justification that can be crucial to the persistence

1. Samuel Beer, Britain Against Itself, London, Faber and Faber, 1982, p.75.

It must be added that Beer's discussion incorporates the future development of corporatism generally across a number of sectors in Britain. While this will obviously affect corporatist development within specific sectors, there may still be elements of corporatism present, independent of the overall corporatist trend. While reference will be made to the general development of corporatism in New Zealand, the focus will be on the corporatist elements within the meat industry.

of political arrangements when performance declines, indirect consequences emerge or anticipated rewards fail to materialize.¹

Schmitter anticipates that as well as the impetus for possible change coming from resistances and defections from within civil society, they may also come from within the 'political realm':

Might the civil servants not find that devolution of authority to neo-corporatist intermediaries and their institutionalized presence in state agencies could deprive them of their historical status of authoritative decision makers and caretakers of the general public interest.... Likewise might not they (professional politicians) resist the progressive short-circuiting and by-passing of party channels, territorial constituencies, and legislative processes,² that, after all, constitute their reason for being.

Schmitter's definition of corporatism will provide the framework to examine the development of the Meat Board as a corporate interest group and the implications of this relationship for the Board's accountability to producers. Schmitter provides a useful distinction between the relationship of the corporate interest group and government, and the resulting implications for both the corporate interest group's relationship with other interest groups and its own members.

Following this framework, chapter two will examine the evolving structural relationship of government and the Meat Board as a corporate interest group. Chapter three will examine the network of interest associations within the meat industry sector, between the Meat Board as the corporate interest group and another major interest group: meat processors and exporters. Chapter four will examine the relationship of the Meat Board as a corporate interest group and its constituents, meat producers, through the formal means of accountability, the Electoral

1. P. Schmitter, "Reflections on Where the Theory of Neo-Corporatism Has Gone, and Where the Praxis of Neo-Corporatism May be Going", in P. Schmitter and G. Lehmbruch Patterns of Corporatist Policy-Making, London, Sage Publications, 1982, p.266.

2. Ibid, p.274.

College. Chapter five will provide a conclusion, suggesting the imminent breakdown of the corporatist trend within the meat industry and agriculture generally worldwide.

CHAPTER II

THE EVOLVING RELATIONSHIP BETWEEN THE MEAT BOARD AS A CORPORATE INTEREST GROUP AND GOVERNMENT

In the previous chapter it was established that the Meat Board was intended to have primary responsibility to farmers therefore it bears greater resemblance to an interest group than a public corporation or government agency. Nevertheless, the Meat Board is a 'special' interest group with corporate tendencies of a close and continuing relationship with government. This chapter will examine more closely the evolving structural relationship between the government and the Meat Board as a corporate interest group.

1. Theory: Societal Corporatism and the Relationship Between Government and Interest Groups

Most corporatist theorists agree that there is a distinction between elements of corporatism found in Western democracies and those found in fascist or socialist states, based on the relative dominance of either government or groups. It is clear that societal corporatism found in Western democracies is a group dominated relationship as opposed to a government-controlled relationship in fascist and socialist states. However, although societal corporatism implies a less dominant role for the state than state corporatism, there is a variety of views on exactly what this is. These views range from a passive role, implementing group demands (Mulgan), to actively placing demands on the corporate group's leadership selection and articulation of demands and supports in return for the granting of a monopoly representational status for the group (Schmitter).

Mulgan sees corporatism as 'a form of government in which power lies with organised interest groups rather than elected political

leaders or public servants'.¹ According to Mulgan's definition, corporate interest groups not only have greater representational monopoly powers, but they are also endowed with governmental policy-making powers:

Public policy is decided by officially recognised groups or public 'corporations', each of which is allowed a monopoly of authority within its own sector. Discussions on matters which concern more than one interest are made by negotiations between the groups concerned... The state, that is the central political organ of government, confers authority on sectoral organisations by recognising them as the sole legitimate representatives of their respective interests. It provides a focus for their negotiations and enforces the decisions which they reach.²

Mulgan argues that the government is largely passive, as it 'does not otherwise attempt to interfere in the internal decision-making of interest groups, nor impose its own views on agreements made between groups'.³

Lehmbruch also argues that 'liberal corporatism' implies that groups have sufficient power to form public policy. He claims that while early corporatist tendencies may have been designed to protect interests, recent liberal corporatism signified an extension of these powers to include policy-making between sectors. Corporatism is:

...more than peculiar pattern of articulation of interests. Rather it is an institutionalised pattern of policy-formation in which large interest organisations cooperate with each other and with public authorities not only in the articulation (or even intermediation) of interests but - in its developed forms - in the 'authoritative allocation of values' and in the implementation of such policies.⁴

He adds that liberal corporatism should not be confounded with simply more consultation and cooperation of government with organised interest groups which is, of course, common in all constitutional democracies with a highly developed capitalist economy. 'The distinguishing trait of

1. Richard Mulgan, Democracy and Power in New Zealand, Auckland, Oxford University Press, 1984, p.91.

2. Ibid, p.92.

3. Ibid, p.92.

4. G. Lehmbruch, "Liberal Corporatism and Party Government", in P. Schmitter and G. Lehmbruch (ed) Trends Towards Corporatist Intermediation, London, Sage Publications Ltd, 1979, p.150.

liberal corporatism is a high degree of collaboration among these groups themselves in the shaping of economic policy'.¹

By contrast, Cawson and Schmitter emphasise that even within liberal or societal corporatism, the state is not a passive recipient of groups' demands, rather it places demands on those groups which are granted favoured representational monopoly status within their particular sector. Cawson sees the relationship between government and interest groups in industrial democracies as 'power dependent':

Both interest groups and the state enjoy some measure of autonomy, although within a set of constraints. The relationship between corporatist associations and the state within liberal or 'societal corporatism' comprises a process of political exchange whereby bargains are struck, in which favourable state policies are traded for compliance and enforcement of those policies by the association. It is not a relationship in which the state directs the interest organisations (state corporatism), or one in which the state agencies are captured by private interests. It implies the state is sufficiently powerful to be able to bargain in a situation where its parties know the alternative to reaching agreement may be coercive compliance or legal-bureaucratic direction. But the state is not powerful enough, or has sufficient specialised knowledge to formulate and implement policy without the agreement of the parties.²

Schmitter (whose theoretical framework is used in this thesis) also suggests there is a greater balance in power between the interest group and state:

...interest groups are recognised or licensed (if not created) by the state and granted a deliberate monopoly within their respective categories in exchange for observing certain controls on their selection of a leader and articulation of demands and supports.³

1. G. Lehmbruch, "Liberal Corporatism and Party Government", in P. Schmitter and G. Lehmbruch (ed) Trends Towards Corporatist Intermediation, London, Sage Publications, 1979, p.150.

2. A. Cawson "Introduction" in A. Cawson (ed), Organised Interests & the State - Studies in Meso Corporatism, London, Sage Publications Ltd, 1985, p.7.

3. P. Schmitter, "Still the Century of Corporatism?", The Review of Politics, Vol.36, January 1974, No.1, p.91.

Schmitter limits the degree to which the state recognises interest groups in corporatism to a representational monopoly within a particular sector, rather than public policy-making and implementation which takes place between various sectors, and which he defines as 'concertation'. He does acknowledge however that 'one obvious hypothesis is that a structural compatibility or elective affinity exists between corporatism and concertation..¹ Schmitter's definition is useful for this thesis as it specifically provides an analysis of the relationship of a privileged interest group with monopoly representational powers within a particular sector, and government, rather than examining the wider public policy-making powers of a number of corporate interest groups across different sectors.

To analyse the way in which the Meat Board has evolved over time as a corporate interest group, a distinction will be made between the period from the Board's formation in 1922, through to the end of World War II, and the period post WWII until 1985. The Board's powers will be examined as well as the formal and informal provisions for government to check the Board; both in its controls on the selection of the group leaders, and articulation of demands and supports. Finally, a comparison of various government attitudes toward the Meat Board as a corporate interest group will be made.

2. 1922 - 1945

(i) Board Powers

As shown in the last chapter, the Meat Board was set up in 1922 by the Reform government at farmers' request. Although the government was clearly involved, it had a 'background' role typical of societal

1. P. Schmitter, "Reflections on Where the Theory of Neo-Corporatism Has Gone, and Where the Praxis of Corporatism may be Going" in G. Lehmbruch and P. Schmitter (ed), Patterns of Corporatist Policy Making, London, Sage Publications, 1982, p.264.

corporatist development, providing statutory backing to farmers' initiative.

The Board was endowed with wide powers of control over the whole meat industry. As Chapman said: 'The Meat Producers Board was legally equipped with semi-governmental powers within its own sector of the economy'.¹ However despite considerable powers to engage in such marketing activities as the sale of export meat or to direct the sale of export meat, the Board chose not to become involved in marketing. This was despite the fact that the first chairman of the Meat Board, Mr David Jones, was a strong advocate of Prime Minister Massey's proposed compulsory pool idea and the general policy approved at one of the first meetings of the Board in April 1922 was 'to control the whole of the export meat of the Dominion so that it may yield the highest net return to the producer'. However the policy went on to state:

Experience may modify our plans. If prices are maintained at such a high level, that, in the opinion of the Board such action would not be warranted, we may, and probably would be able to give sound reasons why we should not interfere, but we, as a Board, do keep steadfastly before us, the fact that control of the meat of the Dominion is our job.²

Experience did modify the Board's plans and was likely to have been influenced by the strong opposition to the Board's compulsory marketing powers from some prominent farming men (as mentioned in chapter 1), and meat processor/exporters. The sale of meat was initially left in the hands of the meat companies and the Board concerned itself with the establishment and supervision of grading standards for export meat, negotiation of freight rates and terms of contract for the carriage of export meat - performing that activity termed 'regulation of shipments',

1. R. Chapman, The Political Scene 1919-1931, Auckland, Heinemann Educational Books, 1969, p.13.

2. Dai Hayward, Golden Jubilee, New Zealand Meat Producers Board, Wellington, Universal Printers Ltd, 1977, p.39.

maintaining a watchdog attitude towards costs entering into the slaughter and export of meat, and conducting advertising and similar promotional activities in the UK.¹

The Meat Act 1939, further extended the Board's powers giving it considerable influence over the granting of licences for new meat works, or permission to extend or alter existing works. Although the Act allowed the Minister of Agriculture to make the final decisions, this was 'on the recommendation of the Meat Producers Board'. In practice, it appears the minister was powerless to take any action contrary to the Meat Board's recommendations. The extent of the Meat Board's power in this area of meat works licensing independent of government was clearly illustrated in the Board's refusal to grant a licence for a new export meat slaughterhouse in Southland from 1938 to 1951. The Board's decision was shown to be final, despite the obvious disapproval of Labour and National government ministers, and various reports, eg Scott Matheson report in 1938, and Royal Commission of Inquiry into the needs of meat producers in Southland in 1951, which supported a new works.

The issue arose as a majority of Southland farmers were dissatisfied with the prices they were receiving from the existing freezing works in Southland. They blamed the lack of competition and therefore applied to establish their own freezing company and works. The farmers were willing either to form a works established by a farmer cooperative company or by a proprietary company with capital provided by farmers on a 50:50 basis.²

In 1946, the Meat Board was emphatic that a farmer owned works with limited financial resources would find it difficult to compete with existing companies, so the Board suggested they should take on a strong partner, someone established in the industry with practical know-how of

1. M.Veeman, Marketing Boards in New Zealand, Berkely, University of California, 1972 (Thesis PhD), p.265.

2. Clive Lind, A Cut Above, Southland, Alliance Freezing Company (Southland Ltd) 1985, p.34.

both the operations of the works and disposal, and selling outlets for meat and important by-products of sheep and cattle.¹ On 28 August, the Board passed a resolution:

This Board is prepared to support an application for a new licence by applicants approved by the Board when materials are available for building, and if, at that time, producers are still of the opinion it is required.²

As a result, the 2,200 Southland farmers formed the Southland Sheepfarmers Company Ltd, in 1947, and agreed to legal partnership with the British owned W&R Fletchers (NZ) Ltd in erecting and operating a new meat works near Invercargill. The Southland Sheepfarmers Company Ltd and Fletchers formed the Alliance Company, each partner holding one share, the farmers and Fletchers having equal shareholding and a farmer chairman without a casting vote. The Meat Board refused to grant a licence in 1947 for reasons which were only disclosed through a parliamentary inquiry; it was against overseas ownership or control of freezing works in New Zealand.

Despite his obvious dissatisfaction with the Board's decision, the then Minister of Agriculture, Hon Edward Cullen, was not prepared to confront the Meat Board. Without a favourable recommendation he could not act, nor was he prepared to change the legislation to take more power upon himself.³ However it was quite clear the minister was unhappy with the Board's handling of the affair:

It took a hearing of a Parliamentary Committee to ascertain the reasons why the Board did not recommend the granting of a licence. The Board should have taken me into its confidence. The Minister should not be subservient to the Board and I make this point in fairness to the Board. In all my dealings with the Board I have always been courteously treated but I feel in this respect, the words

1. Clive Lind, A Cut Above, Southland, Alliance Freezing Company (Southland Ltd) 1985, p.35.

2. "The Meat Board and the Southland Farmers: A Demand for Elementary Justice", New Zealand Economist and Taxpayer, Nov 26 1953, p.172.

3. Lind, 1985, op.cit, p.44.

in the Act 'may on the recommendation of the Meat Producers Board' were not meant to be applied in the manner adopted by the Board.¹

Cullen did however talk to the Meat Board after visiting Southland himself and receiving favourable reports on the potential there, but to no avail.

At that time the National opposition leader, Sidney Holland, gave Southland farmers his word that if he became prime minister, he would set up a commission of inquiry into the establishment of an additional freezing works in Southland, the finding of which would be final.

This inquiry which was duly carried out when National came to power in 1949, determined that an additional slaughterhouse in Southland was 'not only justified, but a necessity'.² However the law still required a licence for a new export slaughterhouse to be approved by the Minister of Agriculture on the recommendation of the Board. Far from issuing its approval, the Board attempted to establish a competing Southland Farmers Company which it subsidised. The government 'weakly' agreed on the condition that a broad cross section of farmers in Southland subscribed \$2,000 within four months, later extended to eight months when it was apparent the Board was finding it difficult to secure support.³

When it failed to meet even this extended deadline, the Board proposed to hold a meeting for all interested Southland companies and organisations to reach a compromise suitable for all parties. Southland Federated Farmers refused to agree to this proposal, and at this stage Holyoake told the Meat Board to reconsider the Alliance claim as it was now a matter of urgency. The Board however did not even consider the proposal in a full Board meeting.⁴ Although Cabinet was dissatisfied

1. "The Meat Board and the Southland Farmers..." op.cit. 1953, p.174.

2. Ibid, p.175.

3. Ibid, p.177.

4. Lind, op.cit. p.68.

with the attitude and decision of the Board it seemed powerless to take action. As one commentator said: 'once more the tail wagged its master'.¹

Cabinet suggested Holyoake call a caucus meeting to measure support for a revision of the Act to allow the Minister of Agriculture to make the decision of approval for a meat export slaughterhouse licence, after consultation with the Meat Board. However at a full caucus meeting a majority decided not to oppose the Board's recommendation.²

Finally a year later, while the Board would not agree to the Alliance/Fletcher partnership, it offered to form a cooperative partnership with the Southland farmers, still to be called the Alliance Company, and farmers agreed. However while farmers eventually received a new works, the Meat Board still came out on top in bringing Southland farmers around to its thinking, rather than giving in to a combination of farmer and government pressure.

(ii) Government Controls: Formal and Informal

While the provision for formal government control over producer boards varies, the Meat Board has been subject to very few formal controls. One of the main provisions has been government representation on the Board which is intended to enable the minister to keep an eye on the Board's activities. In practice however, government appointees have been ineffective in this role;

Generally the selected representatives are men with similar background to those representatives chosen from the industry itself. Governments did not put experts on the Board, ³ therefore did not take advantage of the formal measures.

1. "The Meat Board and the Southland Farmers...", op.cit. p.179.

2. Lind, op.cit. p.68.

3. J. Biggs, Corporatised Pressure Groups in the Welfare State, Wellington, Victoria University of Wellington, 1966, p.71 (Thesis: MA, Political Science).

The first government nominee to the Meat Board in 1922, and chairman, David Jones, was a farmer, as were many government appointees to follow. This provoked considerable public criticism at the time. The editorial in "The New Zealand Farmer", in 1922 stated:

I thought government would have added expert business talent and expertise to the constitution of the Board, and at the same time a member who could represent the general public.¹

A number of government representatives, after completing their governmentally appointed membership, were subsequently re-elected by producers as their elected representatives, which suggests one of the main criteria for their initial selection as government representatives was their acceptance to producers.

Government representatives have also had little influence on the marketing boards in Australia and the UK. Campbell observes that in Australia:

Despite the presence of government representatives on the Board, there is a marked reluctance on the part of the responsible Minister to interfere in their operations. At times, far from intervening, the Commonwealth governments virtually passed on to the Boards their licensing powers, and on occasions have given them authority to negotiate commodity agreements with other countries.²

Similarly in the UK, government appointees stress they are not there to threaten the Board's independence, and Giddings confirms this is the case in practice.³

1. Editorial, "A Few Comments on the Meat Export Control Act", The New Zealand Farmer, April 1922, p.437.

2. Keith Campbell, Agricultural Marketing and Prices, Cheshire, Cheshire Publishing Pty Ltd, 1973, pp.98-99.

3. Dr Phillip Giddings, Marketing Boards and Ministers, Farnborough, Saxon House, 1974, p.56.

Formally there was very little provision for government to influence the Board's policy decisions.¹ There has always been an inherent pressure regarding Parliament's position to change legislation vis à vis the boards if it deemed necessary. However despite the fact that governments have argued that they may suspend legislation or completely write boards off the books, from an historical context, the boards quickly became so firmly entrenched in the economy, this was not an effective means of control.²

The Board was also required to submit an annual report, subject to questioning and debate in Parliament, however Parliament has exhibited a distinct lack of deep inquiry into the functions of the boards; it is not prepared to exercise more than a watchful eye over their operations.³

In the area of financial control, the Board was required to have an annual audit conducted by the controller and auditor general to ensure that activities were conducted in the proper manner accorded by the Act or regulations. The controller and auditor general reports to Parliament, however there was no specific provision giving Parliament power to censure the boards. Formally and in practice then, it is clear the Board was intended to have a minimum of interference from government.

(iii) A Comparison of Reform/Liberal Government Attitudes
Towards the Meat Board

While the establishment of the Meat Board as a corporate interest group is associated with the 1922 Reform government, it is

1. The Primary Products Marketing Act (1953) allowed the Minister of Agriculture the power to issue explicit policy directives to Honey, Eggs, Citrus and Dairy Boards.

2. Biggs, op.cit. p.72.

3. Ibid, p.72.

generally agreed that the decision to set up the Board was more influenced by economic circumstances than party philosophy.¹ Farmers were experiencing economic hardship through a combination of falling world prices and increasing service costs, and called on the government for help.

Producers' political influence at that time was substantial, and as Helen Clark noted, no government could afford to ignore producers' wishes;

Politically it would have been foolhardy, if not suicidal for any of the political parties to ignore farmers' needs (at that time). The farmer was a demanding customer, not given to supporting parties with a broader concept of national views or those who failed to go along with his ever increasing claims on government.²

A majority of parliamentarians at the time were leading farmers, and the electorates were structured in such a way that farmers had greater weighting over the urban electorate.

The Reform government was particularly quick to support producer demands, as it was predominantly an agrarian party, and was obliged to a considerable extent to adopt whatever measures the farmers, and especially the North Island small farmers who provided its main backing, wanted. Although it has been termed 'conservative', Sinclair argued it was not reactionary or conservative, as Europeans understood the term.³ The formation of the producer boards was a compromise form of government involvement which required very little financial commitment, and gained producer acceptance allowing major decisions in the industry to be made by producers.

1. R. Mascarenhas, Public Enterprise in New Zealand, Wellington, New Zealand Institute of Public Administration, 1982, p.39.

2. Helen Clark, The Political Attitudes of the New Zealand Countryside, Auckland, University of Auckland, 1974, p.2. (Thesis, MA, Political Studies.)

3. Keith Sinclair, History of New Zealand, London, Oxford University Press, 1961, p.228.

The Opposition Liberal Party, while in favour of government assistance for farmers, criticised the Reform government's choice of assistance in the form of producer boards. It claimed the boards did not allow adequate government control. As one opposition member of the Liberal Party said during the Meat Export Control Bill debate in 1922:

We had been led to believe the proposed plan was a matter of state marketing which Labour would have agreed to. But it is not that at all ... it is certainly not state marketing of meat, neither is it state control. It reads something like a species of high brow syndicalism - it certainly does amount to a private profiteering department of industry having the whole of the credit of the state placed behind it.¹

Subsequent political support for producers and their boards was offered by Liberal and Coalition governments as there was little doubt that producers and the public generally in New Zealand strongly approved of the Board and its activities.²

Although the initial lack of both Liberal and Reform government interference in the running of the Board up until World War II, may have been the result of political expediency, it may also have been because the Board chose not to fully exercise its direct marketing powers and therefore did not come into conflict with other interests in the industry. It may also have been the result of improved prices for meat overseas from the time the Board was set up through until 1945, including the World War II Bulk Purchase agreement.³ The Wool Board was said to be considerably weaker at that time than the Dairy or Meat Boards and subject to considerable government intervention. This was largely due to the fact that there were problems with prices in the wool industry.

1. New Zealand Parliamentary Debates (NZPD), Vol.194, 1922, p.332.

2. Economic Record, Supplement, February 1928, p.155.

3. Mary Ensor notes the relationship between the degree of freedom offered to the boards by government, and the extent to which the board exercised control over the agricultural industry concerned, as well as its degree of competence. Mary Ensor, Wool Marketing Reform, 1967-1972, A Cautionary Tale, Christchurch, University of Canterbury, 1975, p.139, (Thesis, MA, Political Science).

(iv) World War II and the Labour Party

World War II signalled a deviation from this trend of government non-interference in the Meat Board's activities. The New Zealand Marketing Department which had been established by the Labour government in 1936, and had been the exporting agency for New Zealand dairy produce since then, also took over a number of the Meat Board activities at the beginning of the war:

Virtually the only major pre-war activity which the Board was able to continue was that of the supervision of grading standards at export slaughterhouses. The Board did serve as a consulting and advisory body to government over the period of continuation of bulk contracts and continued its watch dog function on behalf of producers.¹

At the same time the Labour government introduced temporary price stabilisation measures with Board support, so that any increases in the contract prices paid for meat by UK Ministry of Food, went into an emergency reserve account to maintain ewe mutton prices above canning prices. A provision was made for the Meat Board and government to consult on the use of any surplus in the account at the end of the emergency period and the government agreed to assume responsibility for any debt.

In addition the government introduced a rigorous scheme of national economic stabilisation in 1942, which hindered the Board's financial independence. This scheme involved controls on the meat industry intended to hold prices, wages and costs at a constant level. Under this scheme, dairy product and meat prices paid to producers were to be maintained at the level prevailing at 15 December 1942, and increases in producer prices over these levels were only to be allowed on the basis of increased production costs. A Meat Stabilisation Account was established in addition to the existing Meat Pool Account and any increases in contract prices for meat and its by-product following 15 December 1942, were paid into this account.

1. M. Veeman, op.cit. p.269.

Under the stabilisation arrangements, many of the major costs of production including fertiliser and other farm supplies were held down by subsidies charged to the Meat Stabilisation Account, and the Dairy Stabilisation Account. There were certain increases in schedule prices for heavier grades of certain classes of livestock approved by the Economic Stabilisation Committee in the seasons 1943-48.¹

Although the Board's powers were significantly curtailed by the Labour Party policy of state marketing, it was able to retain a greater measure of independence than the other boards. The State Marketing department had marketed all dairy produce for three years before it also took control of meat export marketing. Immediately after the war in 1947, the Labour government relaxed some of its controls over the Meat Board, agreeing that the Board should take over administration and payments from UK contract sales to the slaughtering and freezing industries, and also agreed to the Board acting as adviser to government in periodic negotiation of prices and terms of a long term bulk UK contract.²

In the initial period then from 1922-1945, the Board's corporatist relationship with government was characterised by strong Board representational monopoly over the industry with considerable independence from formal and informal government influence. According to Schmitter's definition, the Meat Board was recognised or licensed (if not created), by the state, and granted a deliberate monopoly within the meat industry, but without the need to observe many controls on the selection of leaders and articulation of demands and supports. The exception was the period during World War II, when the Labour government's policies curtailed the Board's powers.

1. M. Veeman, op.cit. pp.274-275.

2. Ibid, p.271.

3. Post World War II (1949-1985) - The National Government and the Meat Board Since 1949

(i) Board Powers

The election of a National government in 1949 was the turning point for the strengthening of the Meat Board as a corporate interest group. Whilst the Board's powers over producers and meat companies increased, at the same time government increased its informal controls on the Board. It must be added that successive National governments have had more opportunity to influence the development of the Meat Board as a corporate interest group because they dominated this period (with the exception of Labour governments in 1957-60, 1972-75, 1984-).

Officially National governments have supported 'producer control' of agricultural sectors through the producer boards. As Mary Ensor said in 1975:

The emergence of producer boards over the past 25 years as prominent decision makers may be attributed to National government's policy of producer control.¹

National MP since 1982, Ruth Richardson, confirmed this National government policy. As a new National caucus member she was told by Muldoon that the National government was 'for producer control'. This was to be accepted as 'an article of faith'.²

After World War II, the new National government was quick to return to the Meat Board and other producer boards those powers which were taken over by the New Zealand Marketing Department during the war. This was despite the continuation of the wartime bulk purchase arrangement with Britain until 1955. For the last two years of this scheme, the Board was authorised to conduct the annual bulk purchase contract price negotiations with the UK Ministry of Food.

1. Ensor, op.cit. p.94.

2. Interview, National MP Ruth Richardson, 16 August 1986.

In regard to the Board's meat export control powers under the 1922 Meat Export Control Act, although the Board was given powers to control exports it was never clear whether this could be interpreted as power to take ownership. Two amendments were made in 1959 and 1962 which specified the Board's powers, allowing it to sell meat only for the purpose of 'establishment of markets where no substantial market for New Zealand meat existed, and for expanding and maintaining markets in such countries'.¹ Then in 1971/72, the Board intervened directly into the market, buying and selling lamb itself as the schedule was so low. The 1959/62 amendments to the 1922 Act were overridden by the 1971 amendment allowing the Board to 'sell meat on any market'.² Finally in 1982 the Meat Board assumed monopoly marketing powers.

The Board's powers over the processing and exporting sector under the Meat Act (1939), were also increased through amendments in 1964. The Board was given the power to control the capacity of that industry, building new plants, and the entry of firms. As clause 58 stated: 'the Minister of Agriculture may not grant permission for an exporter to have stock killed or handled in an export slaughterhouse without the consent of the Board', and clause 28 stated that 'the Minister has to obtain Board approval before licensing a new export meatworks'.³ A further amendment in 1975 gave the Board additional powers to impose various conditions on meat export control licences to assist orderly marketing. These included limitations on the type of meat and permissible destinations.

The Board's powers over the processing sector however were significantly reduced in 1976 when a meat industry authority was established to

1. L.Woods, "Historical Notes on New Zealand Meat Industry", Lincoln College Department of Agricultural Economics and Marketing, September 1981, p.2 (Paper).

2. Ibid, p.4.

3. Hayward, op.cit. p.20.

take over the minister's function of controlling licences for new and expanded slaughtering facilities.¹ This Authority was not required to act only on the recommendations of the Meat Board, but was required only to seek advice from the Director General of Agriculture. In 1981, the meat processing sector was delicensed removing all controls on the establishment of slaughtering facilities. The only criteria now to be taken into account by the Minister of Agriculture and Fisheries when issuing licences are whether the applications comply with the hygiene requirements and local authority by-laws.

(ii) Formal Government Controls

Until 1983, the formal framework for government control of the boards remained limited and mostly ineffective. With one exception, the continued appointment of government representatives closely associated with the agricultural industry, and favoured by farmers, reinforced the earlier analysis that government appointees were not intended to provide an effective check on Board activities.² The current Board chairman, Adam Begg, and deputy chairman, Norman McRae, were elected as producer representatives after an initial period as government appointees, thus reinforcing earlier trends.

As the Board became more involved in marketing, the staff acquired increasingly specialised expertise, which made it even more difficult for the government appointees to monitor the Board if they themselves had no specialised expertise. This was recognised by the Meat Industry Task Force in 1983, which recommended that:

1. Membership included three members to be recommended by the minister after consultation with the Meat Board, Freezing Companies Association and employees of the meat industry.

2. The exception was the appointment of Dobbs in 1977, who was the chief executive of a well-known advertising and marketing consultancy firm. However, the other government representative at the time was a farmer, as were subsequent representatives appointed by National governments.

the two government nominees on the Board should be selected for their commercial expertise in marketing or financial management and be appointed by the Minister of Agriculture after consultation with the MIC.¹

Within the timeframe of this thesis, it is not possible to determine whether this recommendation will be adopted in practice.

In regard to the wider membership of the Board, the National government in 1956, increased the producer representatives from five to six, and replaced the stock and station agent by a representative of dairy producers on the recommendation of the Dairy Board. One instance where Parliament exercised formal policy controls was in 1953 when it refused to pass legislation introduced by the Meat Board. The Meat Export Control Bill was an attempt by the Board to retain the wartime powers conferred on it for emergency purposes only, as well as to take control of all or any meat for export.² Generally however, the National government adopted a policy of non-interference in the Board's affairs. As Mascarenhas said:

As quasi non-governmental bodies, they seem to enjoy the statutory backing of government without at the same time having to account to it.³

As the past Minister of Agriculture, Duncan MacIntyre, said:

For many years it has been the government's view that the primary responsibility for the industry and working out strategies rests with the producers engaged in it. This after all is one of the main functions of the Meat Producers Board - the government has an obvious role to play, but⁴ farmers and their representatives will take the lead.

1. Report of the Meat Industry Task Force, September 1983.

2. New Zealand Economist and Taxpayer, Vol.24, No.9, 20 Dec. 1962, p.238.

3. R.Mascarenhas, "Quasi-governmental Bodies in New Zealand", 1982 (Paper).

4. Letter from Minister of Agriculture 1983: Duncan MacIntyre to Southland Federated Farmers, 28 April 1983.

(iii) Informal Government Controls

While formal government controls have in practice had little impact on the Board's activities, there have been a number of informal government controls on the Board, particularly since the late 1960s. In the area of financial control, although the Meat Board is funded primarily by a levy on all export meat, and is therefore formally independent of government influence, the Board has become informally more financially dependent on government. This change is the result of both government and Board initiative through a combination of low market prices and the Board's increasing commercial activities. This financial dependence has affected Board policy.

Giddings, referring specifically to British marketing boards, presents some possible implications for any marketing boards which lose their financial independence:

Marketing boards have seen their financial independence disappear under the combined pressure of the state of the market and the guarantee system. It depends on the general market situation combined with the importance of the subsidy to the Board and its ability in practice to have recourse to other sources of income, like a levy. If these factors combine together unfavourably, the Board's freedom will be very limited indeed, even in a formal framework in which it has financial independence.¹

In 1952/53, the National Party removed the financial directives imposed on the Board by the previous Labour government's economic stabilisation scheme. The government agreed to pay out to producers the full UK contract price for each grade and class of meat exported. At this time the Meat Pool Account and Meat Industry Stabilisation Account were consolidated to form the Meat Industry Reserve Account, which at that time had approximately \$70 million. The government and Board decided that the money would be used to:

1. Giddings, op.cit. p.78.

...cushion any long term downward trend in world prices in the future, and hence support farmers' incomes at a higher level than would be the case while corresponding adjustment takes place in other prices and costs.¹

The Meat Board claimed as early as 1953, towards the end of the bulk purchase scheme that the Meat Industry Reserve funds should be used to provide minimum prices for export meat. This was agreed to by government and led to the Meat Export Prices Act 1955, and the formation of the Meat Export Prices Committee to set minimum prices pre-seasonally.² This deficiency payment scheme administered by the Board continued unchanged until 1976, when the National government introduced an Act which required a stabilisation scheme to be introduced alongside the deficiency payment scheme. Such a scheme had been first mooted by the Labour government in 1972-75, but that introduced by the National government contained more flexible criteria under which the minimum prices were to be set. A trigger price was **set**, above which levies were imposed, which were then used to offset supplements payable when the market price was below the minimum price. The reserves were no longer available for supplementation.³ In practice the market prices dropped to the extent there was no chance of creaming off good prices and instead deficits built up in the reserve account.

The National government in 1977 further complicated the Board's financial position vis à vis government when it required the Board to administer the government's supplementary minimum prices scheme giving farmers direct handouts. According to Giddings this can complicate the matter in two ways: firstly the returns to the producer from the market, which is usually the crucial factor in registered producers' views of the Board and the scheme, are as dependent upon government as the Board, even

1. New Zealand Marketing Department, 29 Annual Report, 1950/51, in Veeman, op.cit. p.277.

2. This committee had equal representation of government/Meat Board members.

3. Woods, op.cit. p.5.

though the Board is the marketing authority; secondly, although the boards are to administer the distribution of government funds to producers, they can, in some cases, use that money for their own purposes in the process of the transfer, thereby receiving a form of government subsidy themselves.¹

The Meat Board was careful to separate itself from the government's policy of supplementation. Nevertheless there were suggestions that the Board was able to take advantage of this subsidy to improve its own financial position at times, particularly as it became more directly involved in marketing. As the Board became more involved in trading it required government backup financial support. In 1972 when the Board first intervened in the market, the government offered to pay two thirds of any loss incurred. Later the Board was offered overdraft facilities with the Reserve Bank with only 1 percent interest payments, to fund price supplementation or finance trading deficits. According to Wilson, forms of governmental financial subsidies are an indicator of a group's corporate status.² From this evidence the National government went out of its way to offer financial assistance to the Board and indirectly producers, which reinforced the corporatist strength of the Board at that time. However as the Board built up increasing debt, the government also imposed greater informal pressures on the Board. While National governments have continued to recognise the Board as the central institution in the meat industry, reinforcing its representational monopoly, they have also requested the Board not to formulate policy which will aggravate either a majority of producer or other major groups in the industry.

As a result the Board has become, as a past chairman of the Board noted, 'in a sense a government of the industry, whose policy debates

1. Giddings, op.cit. p.62.

2. F. Wilson, "Alternative Models of Interest Intermediation - the Case of France", British Journal of Political Science, April 1984, p.179.

have paralleled parliamentary decisions'.¹

Since World War II, the Board has had a much greater number of functions and responsibilities. One of the more important of the additional functions was the additional work devolved upon the Board in maintaining closer liaison than before with other producer organisations, eg Federated Farmers, shipping companies,² freezing companies and the Electoral Committee.

Board policy as it is presented to government, is often a compromise between the interests of producers and other major interests in the meat industry, eg meat companies. (This will be examined in more detail in chapter three.)

This informal control was heightened during the 1970s for a number of reasons. Commentators claim that the National government became increasingly reluctant to support only producer interests in the various agricultural sectors. It acknowledged the important function of the numerous industries serving the farming industry such as meat companies, manufacturers, and social services. This attitude was also becoming evident worldwide. In USA it was noted that the power base of farmers was being eroded by the large agricultural input producing and marketing industries; the non farm producers of chemicals, fertilisers, and owners of storage and shipping facilities.³

Helen Clark notes that in New Zealand:

The feeling among farmers all over the country was that government had ceased to listen to their voice.⁴

1. Sir John Ormond, "Self Help in an Export Industry; the Case of the New Zealand Meat Board", Columbia Journal of World Business, Vol.4, October 1969, p.81.

2. New Zealand Meat Producers Board (NZMPB), Annual Report and Statement of Accounts, 1957, p.48.

3. D. Hathaway, "The Implications of Changing Political Power on Agriculture", in V Rulton et al, Agricultural Policy in an Affluent Society, New York, W W Norton and Company Inc, 1969, pp.63-68.

4. Clark, op.cit. p.6.

Yerex claims that the producer boards came to the end of an era with the retirement of the three knights: Sir Andrew Linton, Chairman of the Dairy Board; Sir John Acland, Chairman of the Wool Board; and Sir John Ormond, chairman of the Meat Board:

This was the completion of a noticeable lessening of political influence of the producer boards which had begun at the time of the EEC negotiations when government gained the upper hand.¹

While the National government appeared to be questioning their long-held belief in 'producer control', this originated primarily in caucus, and met with strong opposition from a majority of National cabinet ministers, including Prime Minister Muldoon and Minister of Agriculture, Duncan MacIntyre.

The question of whether to delicense the processing industry in 1980/81, showed the National government divided in opinion between the cabinet ministers who were mostly 'opposed to any form of delicensing' and supported the Meat Board's powers to license the processing industry, and a number of caucus members who questioned the philosophy of the Board's centralised control powers over the industry. These caucus members argued that while the National government supported producer control, producers would only benefit if there was an efficient and effective processing sector. They argued this could best be achieved through competition rather than licensing.²

Eventually the caucus was successful in achieving cabinet support for delicensing. This support was given on the condition that the 'open door' arrangements were retained. This ensured that government would still be seen as working in the farmers' interests. This arrangement gives farmers the choice of exporting their meat directly after payment of slaughtering and freezing charges, rather than selling their animals

1. Clark, op.cit. p.5.

2. Interview, Ruth Richardson, op.cit.

to meat exporters on a schedule price basis.¹ Thus in return for removing all restrictions on companies setting up freezing works, farmers were guaranteed a bargaining position to prevent company monopoly.

The second example of tension within the National government was illustrated in 1983, when the Board declared that it wished to assume monopoly marketing powers over the industry. While the cabinet was ambivalent to this proposal, there was some concern as this implied the Board could cause potential conflict with other major interests in the industry. As a compromise, the government maintained the Board should secure support for its proposals from a majority of producers, meat processors and exporting companies. While not wishing to become directly involved, the government provided the framework for this compromise agreement to take place through the establishment of a Meat Industry Task Force in 1983, with representatives from the conflicting sectors in the industry.

Predictably, the Task Force reinforced the Board's recommendations to remain as the central element in the meat industry, with the right to assume monopoly control of meat for export.² There were also compromises for the meat companies, including the establishment of an industry organisation to formulate plans for the industry and advise the Meat Board (Meat Industry Council). This outcome however was criticised by some meat companies; caucus members, including former cabinet minister and farmer, Derek Quigley.

Quigley questioned the principle of the Board's monopoly powers. He criticised the government for failing to provide sufficient long term goals through government economic policies:

1. Veeman, op.cit. p.253.

2. This was the majority view known as the Task Force Report, however there was also a minority report from one member of the Task Force, Mr Ian Jenkinson, who disagreed with the recommendation to allow the Board to take over monopoly marketing powers.

Successive governments have delegated politically sensitive areas of decision making to organisations which have functioned on a reactive basis to a series of crises rather than providing innovative leadership. As a¹ result most of the outcomes have been compromises.

In regard to producer control, Quigley claimed New Zealand was unique in the dominant attitude of both farmers and politicians:

In communist countries, agriculture is largely, if not entirely, controlled by the state, and there is little, if any, private enterprise. However in most of the free world, and especially in USA there are few, if any marketing controls other than those to do with quality, grading standards and quarantine arrangements.²

Quigley questioned how farmers had allowed their leaders to convince them that they have the right to control their farm product from the farm gate to the consumer's table and that intermediaries are parasites:

It could well be argued that this is a day for specialisation and that the farmer should be encouraged to concentrate on his farm and that specialist traders and exporters do have an important role to play in our overall economy.³

He recommended to the Meat Industry Task Force that if the Meat Board was to be involved in marketing, it should have a commercially independent meat marketing company formed to operate in competition with the existing trade. He also suggested that if however, the Board remained as the central marketing authority, then the dominant producer representation on the Board was not necessarily a recipe for good administration or good marketing of a product. He felt Board membership needed to consist of a more representative group to take account of the various interests in

1. "The Quigley Marketplace Formula; Government Sets Guidelines and Steps Back", National Business Review, 22 August 1983, p.30.

2. The Press, 11 August 1983, p.12.

3. Ibid, p.12.

the industry ranging from producers to processors, those employed in the industry, transport requirements, and as a first priority the needs of the market. He claimed serious consideration should be given to the formation of a meat industry board.¹

Doubts regarding the Task Force proposals were also voiced by Treasury and Ministry of Agriculture and Fisheries (MAF) officials. Treasury officials claimed that the Task Force had identified the wrong set of problems in the industry. The Task Force claimed a solution had to be found to counter market instability, peculiarities in the structure of buying markets, the undersupply of market services, weak selling, and pool selling. Their answer was centralised control through the Meat Board. By contrast Treasury officials claimed many of the problems in the meat industry were related to government's support of the Meat Board's authority to intervene in price setting and product acquisition, as well as wider industry assistance through SMPs and government meat inspection service. They claimed that the Board's setting of schedule prices, alleged limitation of access to supply, and licensing of exporters may have reduced the competition and performance of those already established in the market.

The Treasury report claimed that the market's most important feature for ensuring efficient outcomes was the ability of new firms to enter into the industry and outcompete established firms:

The ability and inclination of the Meat Producers Board to license exporters will have reduced the threat of competition from new efficient exporters, better able² to transfer a product to a client's tastes.

The overall effects have been to reduce innovation, market development, efficiency and as a consequence, returns to producers. In effect, private

1. "Meat Industry-Outside View", Food Industry, June 1983, p.16.

2. Treasury, "Meat Industry Task Force Report: Analysis of Problems Facing the Industry", paper.

initiatives have been 'crowded out' by Meat Board preferences.

In addition they claimed that forms of price setting which have operated in the industry through the former schedule price, Meat Board acquisition prices and SMP scheme, have almost certainly served to adversely affect product decisions and weaken incentives to accentuate or supply the 'right' products. In particular consumer preferences have been obscured, and signals to farmers distorted by clumsy interests. Therefore they questioned the contribution of both Board and government intervention in the industry:

There is good reason to believe that current and past interventions have adversely affected the performance of the meat industry. We are concerned that the Task Force ignored completely these aspects of the current environment which seem to us to have been major contributing¹ factors to the difficulties in the meat industry.

Much of this Treasury paper was based on the research of both MAF officials and Dr Tony Zwart of Lincoln College Agricultural Economics Research Institute. MAF in its submission to the Task Force compared two alternative industry structures: a market with selective interventions and a centralised marketing system. It did not promote either one of the two proposals, however it warned that while in principal a central marketing authority (eg Meat Board) could operate as efficiently as a decentralised market with selective intervention, it is difficult to ensure a statutory authority remains efficient and maximises its market opportunities.² Dr Zwart advised the retention wherever possible of competitive elements within the processing and marketing sectors of the industry, the establishment of a base price for carcasses meat, to be set by the Meat Board, and relatively free access by all exporters to that meat. Meat processors would then be in an environment

1. Treasury "Meat Industry Task Force Report: Analysis of Problems Facing the Industry", paper

2. The New Zealand Meat Producer, Vol 11, No.8, Sept. 1983, p.4

conducive to maximum use of further processing and sophisticated marketing techniques.¹

As a result of this pressure, the government, while not significantly altering the Task Force proposals did indirectly reduce some of the Board's monopoly powers in the industry, by giving greater powers of decision-making to the proposed MIC. As Ruth Richardson commented:

In essence the government has opted for a half back role - we have extracted the ball from the scrum and passed it to the MIC.²

It was clear then that the government found it difficult to maintain the Board's corporate status in the meat industry, as a result of the pressures both within and outside of government. Nevertheless it attempted as much as possible to allow the meat industry to reach compromise solutions without directly intervening itself.

(iv) The Wider Development of Corporatism in the Agricultural Sector

While the Meat Board exhibited strong corporatist tendencies of a favoured relationship with National governments, this trend was not evident to the same degree for other producer boards, nor was there a successful industry wide corporatist trend. As Mulgan observed: 'interest group activity in New Zealand is not wholly corporatist in nature', claiming there is also both private and something inbetween private/corporatist tendencies.³ The other two major agricultural producer boards, the Dairy and Wool boards have both had a history of greater intervention in their activities than the Meat Board.

Societal corporatism on a wider scale was attempted in 1963 when the government organised an Agricultural Development Conference, from

1. A.C.Zwart, "Marketing Institutions for New Zealand Sheepmeats", Lincoln College Agricultural Economics Research Unit, Sept. 1983, p.iii. (Discussion Paper No.71)

2. Letter from National MP Ruth Richardson to A.C.Zwart, 16 November 1983.

3. Mulgan, op.cit. p.92.

which developed the Agricultural Production Council in 1964. This council included representatives from a full range of farmer groups, producer boards, service sectors and government departments. In 1969 however, the council became a sector committee of the National Development Conference. That council disbanded in 1974 and although the Agricultural Sector Council still formally exists, it has never met since 1974, although provincial branches still meet.¹ It would seem then that the corporatist trend within the agricultural industry has generally been fragmented and tenuous, with government adopting widely varying relationships with individual producer boards and major farmers' organisations, eg Federated Farmers.

4. The Labour Government and the Threat to the Meat Board's Corporate Status

While National governments (formally at least) upheld the Meat Board's dominant position in the meat industry, Labour governments have more openly questioned the structure and function of the Board. However despite this questioning, only the most recent 1984 Labour government has been willing to take action which may seriously threaten the future of the Meat Board as a corporate interest group.

(i) Formal and Informal Government Controls

In the area of leadership selection, successive Labour governments have opposed producer domination of the boards. They have differed however in their proposals for board membership. The 1972-75 Labour government appeared to want to:

1. J.J. Sheerin, The Role of the Producer Boards in New Zealand - EC Negotiations from 1970-1982, Christchurch, University of Canterbury, 1985, pp.55-56, (Thesis, MA, Political Science).

...turn farming organised into a series of corporations (or boards) wherein producers and governments will have equal representation...one thing is for certain - farmers will no longer have the final say, for ill or good as to the marketing of their product. They must share in those powers with government.¹

In regard to the meat industry, the Labour government in its 1975 manifesto pledged to investigate the establishment of a meat marketing corporation. However it was not included in the 1981 manifesto.² In 1974, the Labour government took the unprecedented step of appointing a government representative to the Meat Board with considerable commercial expertise, rather than a farmer politician. Dryden, had considerable practical and marketing experience in the meat industry. His marketing experience included consultancy work specialising in the Japanese meat market. He was also General Manager Marketing of UEB Textiles, and helped promote the export of processed farm products for Watties Ltd, and Wright Stephens and Co.

Opposition spokesman for Agriculture in 1983, at the time of the Meat Industry Task Force, Colin Moyle, emphasised the need for greater industry as well as government input into the meat industry decision-making. However rather than suggest the Meat Producers Board be transformed into an industry representative board, they proposed a separate 'modern commercial operation' to assist the Board. This separate organisation was to have producer, government and processor representatives.³

Once in power, the Labour government modified the representational nature of the Board by adding a meat workers union representative.⁴

1. David Yerex, "Primary Industry in a Labour Mould", New Zealand Economist, Vol.134, No.10, Feb. 1973, p.13.

2. NZPD, Vol.450, 1983, p.455

3. NZPD, Vol.450, 1983, p.456..

4. At the same time two union representatives were added to the MIC.

This appointment fully compensated for the previous lack of union representation compared with the meat exporters/processors which are represented on the MIC, and producers which are represented on both the MIC and the Board. It was interesting that the union representative was added to both the MIC and the Board, when processors/exporters are represented only on the MIC, and it had appeared from earlier comments that the government preferred to have a producer dominated board and a separate industry organisation. The less controversial appointment of a union representative may have been intended to test producer response and to pave the way for further restructuring at a later time.¹

It was notable that there was very little farmer reaction to this appointment. One electoral committee member, Owen Buckingham, observed the conflict of interest between the Board's aim to 'obtain the highest possible return to the farmer for all meat exported', and the appointment of a union representative. 'We did not ask to have a union member here; the conflict of interests is too great and we feel we should take the issue to government'.² Nevertheless the majority of electoral committee members felt there was benefit to be gained from this appointment in improving communication between meat workers and farmers, and did not perceive any longer term implications for the erosion of producer control of the Board.

With regard to policy controls, the wide control powers of the Board and indeed all producer dominated boards have always been openly questioned by Labour governments. National MP, Allan Dick, summarised the different attitudes of the two parties in 1970:

The Labour Party believes that the producer boards today have too much power, and the basis of Labour Party policy is for government to decide in matters of marketing. Rather National is concerned with cooperation between producer boards and farmers - the concept of

1. Possible restructuring options will be discussed in chapter five.

2. Sarah Morton, "Kennedy's Seat Challenged", Straight Furrow, 9 April 1986, p.12.

farmers having the right to market their own product with government assistance coming in only by way of negotiation with other countries in the matter of international trade agreement.¹

One example of the Labour government reducing producer influence over marketing decisions occurred in the wool industry between 1972-75. The National government in 1970-72 set up a wool corporation with greater government/commercial expertise than the producer dominated Wool Board to be responsible for marketing. This corporation was to have compulsory marketing powers which met with considerable producer resistance. To make this proposal more acceptable to producers, it provided that the compulsory marketing powers be subject to a producer referendum. By contrast the Labour government in 1973, immediately carried an amendment to remove the provision for a producer referendum.

Prime Minister Norman Kirk, argued that the corporation should be able to make a decision to assume monopoly control of marketing independent of producers, as it was not just the responsibility of woolgrowers, but also taxpayers, whose money was used to subsidise the wool industry in bad times:

We accept the importance of the wool industry, but I do not believe that having accepted the principle of taxpayer support, or the responsibility of a meat banker in a bad season, the taxpayers interests should then be completely ignored. It should be a partnership between producer and taxpayer, and not...a matter simply for the owners of sheep.²

This amendment was carried in 1974.

The advent of the 1984 Labour government quickly established it was going to 'give a lead' in the future evolution of the industry's policy. The government wanted to 'make things happen to suit them'. The Minister of Agriculture, Colin Moyle, said:

You (as government) can follow one of two policies - you can let things happen and then react, or you can

1. NZPD, Vol.365, 1970, p.200..

2. NZPD, Vol.391, 1974, p.2509..

make things happen to suit you. That's the difference between the last two ministers of agriculture. We have Duncan MacIntyre's well-known statement that it seems that meat marketing has changed in recent years but he hasn't noticed. But we in the Labour Party know what the situation is and we want to act.¹

This government's policy direction has been to adopt a policy of completely neutral assistance within and across all sectors, whether agricultural, manufacturing, export or import sectors. As MAF spokesman, Peter Bushnell said: 'This means no product is favoured or advantaged. All stand or fall by their value to the nation or what someone overseas is willing to pay for them'.² This policy is obviously at odds with the corporate theory of government favouring a particular group and therefore suggests the future decline of the Meat Board as a corporate interest group. This development corresponds to Schmitter's prediction that the conditions of corporatism may not always be accepted by society, nor indeed by politicians who have some of their decision-making powers taken away by such bodies.

Financially, the Labour government removed a number of financial supports which had previously reinforced the Board's corporate status. Firstly the Supplementary Minimum Prices Scheme was abolished. The government also announced in June 1985 that it would remove the Board's open-ended overdraft facility with the Reserve Bank at 1 percent interest. The Board was required to finance its debts henceforth on fully commercial terms with the government acting as 'guarantor of the last resort in periods of difficulty with terms and conditions to be determined at the time'.³ As a result, the Meat Export Prices Committee was required to set the minimum price so low in relation to the expected market returns

1. Glenys Christian, "Advice From the Ex-Minister", Straight Furrow, 7 September 1983, p.3.

2. Sarah Morton, "Who is Getting the Handouts?" Straight Furrow, 7 August 1985, p.3.

3. Sarah Morton, "Moves Could Be Risky", Straight Furrow, 10 July 1985, p.3.

that they were virtually inoperable.¹ The overdraft in the Meat Income Stabilisation Account was frozen at \$495 million, and it is still unknown whether the government will write off this debt or future producers will carry the responsibility. At the same time, the new MISA No 2 Account was set up, and the government clearly stated any further debts from the Meat Board trading deficits would be the sole responsibility of producers.

This obviously made it more difficult for the Board to maintain its monopoly marketing powers with the commercial risks involved. Later in the year, the government put further nails in the Meat Board's coffin by virtually demanding that the Board withdraw its monopoly marketing powers, in practice if not legally. The government announced it wanted to remove restrictions on exporter access to overseas markets and to product within New Zealand. It also decided to separate the Board's marketing and administrative functions as soon as possible. Although this was to take place over a three year period, the government placed pressure on the Board, both directly with financial and legal threats as well as indirectly through the MIC, to remove its monopoly controls immediately. (This will be examined in more detail in chapter three.)

Consequently the Board withdrew from all meat marketing in November 1985. As the Board chairman, Adam Begg, told a Meat and Wool Section of Federated Farmers just before the Board pulled out of marketing:

Government interference in the Board's affairs has reached such an intolerable level, it could not do the job legislation demanded of it.²

The seriousness of this action for the future of the Meat Board's powers was expressed openly by Begg at a special electoral committee meeting to explain the Board's decision:

1. NZMPB, Annual Report and Statement of Accounts, 1985, p.4.

2. Sarah Morton, "Meat Board May Pull Out of Pool", Straight Furrow, 6 November 1985, p.6.

The Board is constantly under the threat of losing its control powers...Farmers' political influence is at an all time low.¹

It seems clear that the future of the Board's powers will be reviewed but in practice the Board has already lost those powers informally under this government.

5. Summary

Formally, the Meat Board as a corporate interest group has, until the advent of the recent Labour government, been given a representational monopoly over the meat industry, with little formal interference from governments whether National or Labour. Until the Second World War there had been little informal interference either, and the Board's power resembled Beer's definition of syndicalist group dominated corporatism. Since World War II however, National governments have placed increasing informal demands on the Board's articulation of support and demands; requiring it to negotiate with conflicting interests in the industry in the formation of its policy. This was the result of the decline of producers' political influence (therefore less need for the government to secure producer cooperation), the Board's desire to exercise greater monopoly marketing powers over producers and the industry, and the increasing political importance of service industries, including certain vertically integrated meat companies (which will be examined in more detail in chapter three).

While early Labour governments openly opposed the 'producer control' of the meat industry through the Meat Board, it is only the most recent Labour government which has been willing to take formal action and seems likely to seek legislative reform to remove the Board's present monopoly

1. C. Bartley, "Farmer Political Influence at All Time Low", Straight Furrow, 20 November 1985, p.6.

powers. It is possible that the National government may have eventually made some formal changes to the Board's structure to allow it to be more representative of the industry as this attitude was reflected informally in their increasing pressure on the Board to compromise with the industry in its policy formation. As past chairman of the Meat Board, Sir Charles Hilgendorf, questioned in 1984:

Will any government today for long, leave complete control of the acquisition and sale of all lamb in the hands of a body not dominated by government - much less, in the hands of a farmer controlled Meat Producers Board.¹

Nevertheless these changes would have been unlikely to be as far reaching as this Labour government's impending reforms. As National MP, Howard Austin, said:

...the results may mean changes and reorganisation of the various producer boards, but the boards will be and must always be under the National government - farmer oriented. They must also have business expertise, and perhaps a little more than at present.²

The implications of the corporate interest group's relationship with government also affects the Board's relationship to other groups within the same sector. The following chapter will examine the Board's evolving relationship to another major group within the meat industry: meat companies.

1. "Hilgendorf's Views on the Meat Debate", Straight Furrow, 20 January 1984, p.8.

2. NZPD, Vol.450, 1983, p.457.

CHAPTER III

THE EVOLVING RELATIONSHIP BETWEEN THE MEAT BOARD

AS A CORPORATE INTEREST GROUP

AND ANOTHER MAJOR INTEREST GROUP

IN THE MEAT INDUSTRY: MEAT COMPANIES

In the previous chapter the government's favoured treatment of the Meat Board as a corporate interest group was discussed in detail. This chapter examines the implications of this for the Board's relationship with the other major interest group in the industry; namely meat companies.

1. Theory: Societal Corporatism and the Relationship Between Corporate Interest Groups and Other Interest Groups

Most definitions of corporatism stipulate that the number of interest groups in society is limited with a single group representing each category of interests. Competition within a sector is unusual because a particular group is given representational monopoly by the state or by arrangement among interest groups themselves. This contrasts with pluralist theory which states that groups are competitive both across and within the various sectors of society.¹

Schmitter defines the relationship between corporate interest groups and other interest groups as:

...a system of interest representation in which the constituent units are; limited, singular...non competitive...and granted a deliberate representation monopoly within their respective categories.²

1. Frank Wilson, "Alternative Models of Interest Intermediation - the Case of France", British Journal of Political Science, April 1984, pp.176-177.

2. Phillipe Schmitter, "Still the Century of Corporatism?" The Review of Politics, Vol.36, No.1, Jan.1974, p.93.

Corporatism implies the replacement of competition with cooperation. As Pahl and Winkler say: 'This desire for collaborative effort arises from a revolution against the perceived wastefulness of competitive structures on all fronts'.¹ Schmitter makes it clear however, that although there is demand for moderation and negotiation, this takes place within a centralised hierarchy within the sector.² The corporate interest group seeks to aggregate opinion before formulating policy on behalf of the industry. Cawson summarises the relationship as: 'The competitive role of interest groups (presumably both within and between sectors) will be replaced by an orderly cooperative and stable relationship'.³ Reginald Harrison goes further to suggest that corporate interest groups are: 'consensus-formation mechanisms - those institutions which bring together differing conflicting interests and produce the compromises which define a group's interest'.⁴

One aspect of this analysis, however, requires further clarification. Corporatist writers refer to the influence of corporate interest groups within or between 'sectors' or 'categories', but the precise definition of these terms is unclear. In the relationship between the Meat Board and meat companies it is uncertain whether or not these parties constitute parts of the same sector, namely the meat industry, or whether they represent the two narrower sectors of producers and processor/exporters. Salisbury explains this problem:

1. R.E.Pahl and J.T.Winkler, "The Coming Corporatism", New Society, 10 October 1974, p.72.

2. P.Schmitter, "Modes of Interest Intermediation and Modes of Societal Change in Western Europe", in Schmitter and Lehmbruch (ed), Trends Towards Corporatist Intermediation, London, Sage Publications, 1979, p.64.

3. A.Cawson, "Pluralism, Corporatism, and the Role of the State", Government and Opposition, Vol.13, No.2, Spring 1978, p.184.

4. R.Harrison, Pluralism and Corporatism, London, Allen and Unwin, 1980, p.13.

The term sector is most commonly employed to refer to major sections of economic self-interest in modern industrial society; labor, business and agriculture. What is unclear is how many such sectoral or producer groups should be designated as sectors without distorting the meaning of the term.¹

He concludes that the term usually means larger rather than smaller sectors of society. From this explanation it seems reasonable to assume that the Meat Board and meat companies are part of the broader sector of the meat industry.

2. Structural Relationship of the Meat Board and Meat Companies

Before attempting to determine the evolving network of influence within the meat industry, it is necessary to understand how the underlying structure of the industry influences the relationship between producers and meat companies, and between companies themselves. The structure of the meat industry has always created a potential conflict of interests between the producers and the companies which process and export the meat. The meat producing farmer is naturally anxious to get the highest possible price from the meat processing and exporting companies for this meat, while at the same time hoping that the charges for killing and processing can be held down. Freezing companies on the other hand must run their organisation at a profit and as the returns to the farmer are a cost to the freezing industry, it is obvious that the two interdependent halves of the New Zealand meat producing industry look at the industry from different viewpoints.²

By contrast the dairy industry has a predominantly cooperative structure which allows greater coordination and integration between

1. Robert Salisbury, "Why No Corporatism in America", in Schmitter and Lehmbruch (ed), Trends Towards Corporatist Intermediation, op.cit. p.215.

2. Dai Hayward, Golden Jubilee, New Zealand Meat Producers Producers Board, Wellington, Universal Printers Ltd, 1977, p.161.

producers, their dairy manufacturing cooperatives and Dairy Board members. The processing of dairy products is organised in smaller units than the meat industry and runs on a cooperative basis with companies managed by boards of directors elected from milk suppliers.¹ The directors of the dairy companies in turn elect 11 members to the Dairy Board on a ward or regional basis.

Along with the fundamental conflict of interest between meat producers and companies, the meat companies are divided in their interests between those which process, and those which export meat. The processor is the company which owns the meat processing plant (more commonly known as the freezing works), and employs the processing staff. This company charges the exporter a fee, commonly referred to as killing and processing charges. The exporter either buys livestock direct from the producer, or from uncommitted stock held in processor's stores. He arranges for the processor to process, cut or pack according to the specifications required for the customer, and ensures that the product is transported to the marketplace. Licensed meat exporters vary in the size of their operations from those which sell just a few tonnes each year, to those selling 50,000 tonnes and more. Some exporters also own processing plants and are thus both processors and exporters.²

In the meat export trade, there is considerable conflict between those exporting companies which own processing plants and those which do not. This conflict arises from the different economies of scale. Extensive capital investment is required to set up and run a processing plant and a buyer must be found for all meat cuts, regardless of whether or not they are in demand or profitable. By contrast, exporters are able to buy from the processors those cuts for which they know there is

1. D. Campbell, "Control of Agricultural Marketing in New Zealand", in C Moriarty (ed), New Zealand Farm Production and Marketing, Wellington, New Zealand Institute of Public Administration, 1963, p.82.

2. New Zealand Meat Exporters Council (Inc) and New Zealand Freezing Companies Association, The New Zealand Meat Export Industry - A Background, 1982, p.9.

a specific market requirement. Processing companies claim exporting companies can often afford to sell at a lower price than the processing companies because they do not have such high overheads.¹ As a result, the large processing companies such as Waitaki New Zealand Refrigerating Ltd, have sought for some time to rationalise the industry and dramatically reduce the number of licensed exporters, which in 1982 was as many as 120.

The conflict of interests between companies is not only apparent between processing and exporting companies, but also between the large 'overseas' companies operating in New Zealand, and the New Zealand owned companies. Finally, conflicts exist between the New Zealand owned private, public, and farmer cooperatives.²

As there is a wide range of interests between companies, the Board has potentially different relationships with each company, depending on whether they are processors, exporters; New Zealand owned or overseas; public, private or cooperative. These different relationships will be examined in an attempt to identify a hierarchy of influence in the industry.

3. 1922 - 1970

(i) The Meat Board's Relationship with Meat Companies Generally

As we have seen, the formation of the Meat Board resulted from the conflict between the producers and meat companies. The Board, as a statutory body with wide legal powers to control the whole of the meat export industry, created a hierarchy of influence in the industry in favour of producers. As an ex Board chairman, Sir John Ormond, said:

1. Interview with Waitaki NZR Public Relations Consultant, Glyn Clayton, 24 July 1986.

2. Although referred to as 'overseas' companies, these specifically refer to UK owned companies.

In 1922, a system was created in which the processing and exporting companies - public, private and cooperative - worked under the overall direction of the Meat Board.¹

This suggests that the Board was involved in coordinating the industry, although it is clear that it was also under pressure to retain some competition within the industry. The Board did not exercise its marketing powers, thereby avoiding confrontation with the meat companies which had earlier opposed the legislation allowing the Board compulsory powers over the industry. The first Board chairman, David Jones, emphasised the importance of cooperating with the mercantile community, thus justifying the inclusion of the stock and station representative on the Board.²

(ii) A Comparison of the Meat Board's Relationship with
Individual Meat Companies

The greatest producer suspicion regarding meat companies was initially directed at 'overseas' companies. While it was considered that these companies were necessary to provide some competition:

...an early fear seems to have been that this industry might exert monopsonistic pressure on farmers and also that if overseas interests were to greatly increase, or if any one firm were to greatly enlarge, this might not only preclude competition with respect to purchases from farmers, but also with respect to the sale in the UK of New Zealand meat exports.³

The Board was expected to restrict the level of influence of the overseas companies in the industry.

1. New Zealand Meat Producers Board (NZMPB), Annual Report and Statement of Accounts, 1971, p.6.

2. New Zealand Parliamentary Debates (NZPD), Vol.194, 1922, p.326. This only lasted until 1957 when legislation was changed allowing an extra producer representative on the Board and a Dairy Board representative to replace the Stock and Station representative.

3. Michelle Veeman, Marketing Boards in New Zealand: An Economic Analysis and Appraisal, Berkely, University of California, 1972, p.286. (Thesis, PhD)

The original Board policy in regard to overseas interests in the meat industry was:

That in the event of any purchase or erection of freezing works by overseas interests without the approval of the Board, it would take such action as would prevent such interests controlling the meat going through such freezing works.¹

In practice however, the Board did not take a hard line against overseas interests. This brought considerable criticism from some farmers, politicians, and industry commentators. In 1924, the Board was criticised for allowing the sale of a farmers' owned meat company in Gisborne to the UK company Vesteys which already owned a works in the area.

One Opposition MP at the time, Mr William Lynsar, went so far as to suggest that 'the Meat Board is not being run for the benefits of producers, but for the benefits of trusts and combines'.² He unsuccessfully attempted to introduce legislation to keep the overseas companies out of New Zealand altogether. While these extreme views were not given widespread support, a Commission of Inquiry was set up in 1926 to investigate the claims and charges made by Lynsar regarding the conduct of the Board. On this occasion the Board's actions were upheld.³

It was clear from the outset that the Board had to find a balance between being seen to secure producer control of the industry in the face of opposing company and mercantile interests, whilst at the same time considering the wellbeing of the overseas companies which was important to the national economy. These vertically integrated companies had expertise; were powerful, owning freezing works, ships and shops; and provided investment in New Zealand. Prime Minister Massey, assessed the importance of the big UK company Vesteys in 1924:

1. NZMPB, Annual Report and Statement of Accounts, 1923, p.9.

2. NZPD, Vol.205, 1924, p.512.

3. NZMPB, Annual Report and Statement of Accounts, 1926, p.3.

They are a very big firm doing a tremendous business. I have heard it repeatedly said in England that they have 2,500 shops. There are 4,000 shops, including those 2,500 owned by Vestey's and some of the other big concerns and we cannot play with those things... There are plenty of consumers in England, but the people who¹ can reach the consumers are those with the shops.

The Board did take some action to prevent the dominance of overseas companies. Thus in 1928 it imposed restrictions on the throughput of overseas works; firstly in the North Island. Whenever any freezing works proposed to make additions or alterations to its works, the Board considered whether the increase in potential throughput was acceptable before giving its consent. While the output could initially be restricted in this way, the introduction of the 'chain' killing system meant there was no limit on the number of stock a works could kill; so legislative provision was made accordingly in the Slaughtering and Inspection Amendment Act 1934.²

The British company, Thos Borthwicks and Sons Ltd, had restrictions placed on the number of lambs it could kill through its Canterbury works. As the Meat Board said:

It was of the opinion that the number of killings which Borthwicks were putting through their Canterbury works was becoming a menace to other works in the district, and it therefore acted under the provisions of the Slaughtering and Inspection Act...and made a recommendation to the Minister of Agriculture that the maximum number of sheep and lambs which may be killed at Borthwicks' Belfast works should be fixed at what was considered to be a fair share of the output of the district - namely 620,000...This left approximately ³ 1,700,000 for the remaining 6 works in the district.

It was suggested that this action was taken against Borthwicks on the basis of their 'overseas' status:

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1. NZPD, Vol.205, 1924, p.789.
 2. NZMPB, Annual Report and Statement of Accounts, 1935.
 3. Ibid.

Someone (gifted with a strong imagination) actually raised the bogey that Borthwicks might squeeze out the New Zealand owned companies and so get complete control of the South Island business.¹

It was pointed out that a ceiling quota was put on Borthwicks' Belfast works only, and not on any of the other works in the Canterbury district:

It is significant that Borthwicks were the only British company operating in the South Island; had the row been between different New Zealand companies, the government might not have intervened. At any rate there is no record to show they ever put a quota on any New Zealand company.²

This implied prejudice was backed up by the Board's willingness to facilitate the development of farmer cooperatives through the provision of loans and bank guarantees.³ With government approval the Board extended bank guarantees and loans to two producer cooperative meat exporting companies - Producer Meats Ltd (PML), and Primary Producers Cooperative Society (PPCS) - as well as to two cooperative meat export slaughterhouses - Alliance Freezing Company, and Auckland Farmers Freezing Cooperative (AFFCO).

In practice however, many works were sold to overseas interests. Some of these eventually received Board approval after earlier refusal and others occurred because the Board did not have the power to refuse.⁴ It is estimated that up until 1973, a total of 12 works had passed to overseas ownership, and at one stage more than 60 percent of the export trade was controlled by overseas interests.⁵ It appeared that there was considerable discrepancy between the Board's policy regarding overseas

1. Godfrey Harrison, Borthwicks - A Century in the Meat Trade - 1863-1963, London, Hazell Watson and Viney Ltd, 1963, p.130.

2. Ibid, p.130.

3. Amendment (1950) to Meat Export Control Act 1922 enabled the Board subject to the approval of the Minister of Agriculture to advance money or give guarantees to certain societies carrying on any business in New Zealand connected with export meat. (See M Veeman, op.cit. p.286.)

4. Dai Hayward, op.cit. p.163.

5. Ibid.

companies, and its treatment of them in practice. The 1951 Royal Commission of Inquiry into the establishment of an additional freezing works in Southland clearly pointed out the extent of this discrepancy:

The Board's policy of prejudice against any further expansion of the enterprise of British owned meat export companies in New Zealand by the establishment of new freezing works, seems hard to reconcile with the Board's proposal to sponsor the formation of a company for the purpose of establishing retail meat shops in England for the sale of New Zealand meat.¹

The Commission also claimed it was difficult to reconcile the Board's policy with its approval of a reconstruction of the Ocean Beach works:

These works are owned by a New Zealand company, but half the sales are owned by an overseas company. According to the evidence, this overseas company has either bought, or is negotiating to buy the remaining half of the shares.²

Thus in the period from the Board's formation in 1922 through to 1970, while the Board clearly had powers to control the industry, it encouraged a considerable degree of competition. There was some expectation that the Board would take a strong stance against the overseas companies in particular, to prevent their monopoly influence in New Zealand while favouring the development of cooperatives. While there was some evidence of this attitude, it was apparent more through rhetoric than action. The importance of the large scale, highly integrated overseas freezing companies to the economy, could not be ignored by either government or the Board.

1. Clive Lind, A Cut Above, Southland, Alliance Freezing Company (Southland Ltd) 1985, p.60.

2. Ibid, p.60.

4. 1970 - 1985

(i) The Meat Board's Relationship With Meat Companies Generally

After 1970, the Meat Board placed greater emphasis on coordination in the industry to modify the private enterprise system of competition between companies. The Board began to take greater control over export marketing in response to low world prices, and a correspondingly unpromising exporter schedule. Although this created potential conflict with companies, their cooperation was maintained through a series of compromises.

As the level of consultation between the Board and companies increased, the companies formed national representative organisations to negotiate with the Board. In 1974, the New Zealand Freezing Companies Association (NZFCA) was formed by the amalgamation of the two existing North and South Island Associations. This represented the interests of the larger companies with processing facilities. In addition the Meat Exporters Council (MEC) was formed in 1971 to represent the views of all exporters, including the freezing companies, independent exporters and marketing cooperatives. Finally, an Independent Exporters Association was formed to represent the interests of independent exporters which did not always coincide with the majority views on the freezing company dominated MEC executive.¹

By 1980 both the Board and MEC acknowledged that they had achieved a much closer union of interest. As chairman of the Meat Board, Adam Begg, said: 'It is fair to say, this union has been an effective and amicable one'.² Similarly the chairman of the MEC in 1979/80, Mr Ron Cushen, said:

1. The MEC executive comprises six freezing company representatives, two independent exporter representatives and two marketing cooperative representatives.

2. NZMPB, Annual Report and Statement of Accounts, 1980, p.1.

Nothing gives me more satisfaction than to be able to report that relationships between the Council and Board have never been better.¹

While he acknowledged the two groups were not always in total agreement:

...the point is that the regularity with which dialogue between the two organisations occurs and the atmosphere of those tasks is such that there is always a willingness to resolve differences in the best interests of the producer and the meat export industry.²

As an indication of this increasing coordination, a number of joint councils were formed with representatives from both the Board and MEC. These councils covered areas of promotion, grading, shipping and marketing. One of the most notable was the Joint Meat Council (JMC) formed in 1981 with five members each from the Board and MEC, with an aim of providing close coordination in marketing and maximising the returns to New Zealand for all meat exports.³

The Board and exporters working through the JMC in 1982, tried several control measures to stabilise prices in overseas markets, particularly in the UK, but the uncertainties in the marketplace intensified to the extent that both the Board and MEC agreed more decisive action was necessary. The Board proposed to take temporary control of all export lamb and mutton from October 1982, through to the end of the 1983/84 season, and this was accepted by the MEC. It seemed ironical that the MEC should accept this proposal which, although temporary, could be envisaged as an ongoing arrangement which would virtually remove their competitive rights to market. It appeared however, that the exporters were relieved that the risks in the marketplace were transferred to the Board. As MEC chairman, Eric Cammell, commented:

1. New Zealand Meat Exporters Council (NZMEC), Annual Report, 1979/80, p.9.

2. Ibid, p.9.

3. The New Zealand Meat Export Industry - A Background, op.cit. p.9.

The decision to hand over ownership was made jointly, and while some of the members disagreed, the MEC directors on JMC saw no other desirable alternative under the circumstances - then or in the foreseeable future at that time.¹

(ii) The Meat Board's Relationship with Meat Companies Individually

One of the most striking features of the period from 1970-1985 was the willingness of both government and the Board to acknowledge publicly the importance of vertically integrated companies to the economy, and therefore the need to encourage their interest in the meat industry. Initially, all vertically integrated companies were overseas-owned, however by 1985, a majority were New Zealand owned enterprises. This admission was likely to have been influenced by the 1974 Commission of Inquiry into the meat industry which dispelled many of the myths regarding the threat of overseas ownership and control of the slaughtering and processing works in New Zealand. The Commission noted that:

...as was to be expected many submissions favoured New Zealand ownership of the existing freezing works, but only a small minority advocated overseas companies being forced to sell their works to New Zealand controlled companies.²

The point was made that at that time, overseas companies controlled or had a part in only 29 percent of works; more than two thirds of the works were New Zealand owned and controlled. It was recommended that overseas-owned companies should not be allowed to expand their operations; but no other restrictions on their processing or marketing operations were suggested.³

Prime Minister Muldoon, on more than one occasion emphasised the importance of the giant UK meat companies to the New Zealand meat industry

1. NZMEC Annual Report, 1982/83, p.2.

2. Borthwicks Bulletin, July 1974, p.2.

3. Ibid, p.2.

and economy generally. Their vertically integrated market system from farmer to consumer could 'not be overlooked in terms of its importance to the growth of our trade'.¹ The fact that these companies owned hundreds of retail outlets, and were able to influence the British government signified their value.² Meat Board chairman in 1974, Sir Charles Hilgendorf, reiterated these views saying:

Some of us waste far too much time and thought plotting the downfall of the big overseas-owned companies; - well they're likely to be very much part of our export meat industry for a long time yet and generally they deserve to be.³

By comparison the Board appeared to find it increasingly difficult to favour producer cooperatives, despite farmers' acknowledgement of their high performance. Thus in 1983 when the Board chose to restrict the number of licensees for a particular market, the marketing cooperative PPCS was refused a licence. Board chairman, Adam Begg, acknowledged the important contribution of PPCS in improving returns to the farmer, but justified the Board's decision as having to take account not only of producers' interests but also the national interest.⁴ In this light, clearly the vertically integrated companies were given preference.

On one occasion however, the smaller independent exporting companies successfully pressured the National government in 1981 to delicense the meat processing sector, despite considerable opposition from the Meat Board, processing companies and cabinet ministers. The lobbying campaign was initiated by Dawn Meats Company, which had tried unsuccessfully for many years to secure a licence to build a works at Oringi. When they were refused a licence they pursued the possibility of persuading government to delicense the industry. They approached the

1. Allan Parkes, "New Deal for Borthwicks", in Agribusiness Executive Nov. 1981, p.25.

2. Borthwicks Bulletin, February 1978, p.10.

3. Allan Parkes, op.cit. p.25.

4. Minutes of Electoral Committee Meeting, 18 August 1983.

Board for support, but while the Board agreed that licensing did restrict competition within the industry, it argued that some licensing was necessary to retain the 'open door' provisions. As a compromise, the Board recommended that modifications be made to the licensing criteria to enable new licences to be granted more readily. After this unsatisfactory response to their proposal Dawn Meats approached Federated Farmers which eventually supported their attempts to lobby government. They were successful in gaining support from John Falloon and the agricultural caucus committee who in turn persuaded Cabinet to support the proposal.¹ The way in which this issue became an indication of the changing attitude among National caucus members to the 'producer control' philosophy was examined in chapter two.

The larger companies such as Waitaki and AFFCO were clearly opposed to delicensing. As one industry commentator noted:

Almost any established industry is in favour of licensing which limits competition from other companies.²

The New Zealand Freezing Companies Association claimed:

The overall economic stability of existing licensees could be seriously threatened by the changes in the legislation at this time.³

This pressure for greater competition in the meat processing industry suggested government's traditional support for 'producer control' through Meat Board control of the industry was under threat.

1. Phone Interview General Manager Dawn Meats Ltd, John Foster, 11 February 1986.

2. A.C. Zwart, An Analysis and Suggested Modifications to the Meat Industry Task Force Report, Lincoln College, Agricultural Economics Department, 1983, p.4. (Paper)

3. New Zealand Freezing Companies Association (Inc), (NZFCA), Annual Report (6), p.4.

(ii) The Meat Industry Task Force, 1983

In 1983, the Board claimed that previous attempts at coordination between the Board and companies had on the whole been unsuccessful.

As Board chairman, Adam Begg, told the electoral committee in July 1983:

The Board has made every effort to bring the more than somewhat disparate elements and factions of the industry together to act as a coordinated cohesive team. A good many company people have assisted us, but the efforts have failed. The industry has proved to be as incapable as standing together on the marketing front as it has on the industrial front.¹

The Board proposed to use its compulsory powers to operate a national pool for sheepmeat marketing and thus gain even greater control over the meat export industry. However the sequence of events arising from this proposal suggested that the Board would eventually be required to face greater competition with the companies, thus placing a further strain on the Board's corporate status.

While the National Cabinet was in favour of the Board's proposals, there was pressure from some companies, members of caucus, and industry advisers, for greater competition in the slaughtering industry. The Minister of Agriculture at the time, Duncan MacIntyre, therefore set up a Meat Industry Task Force to:

...define the requirements for the meat industry to develop and run a global meat marketing strategy to maximise returns to the nation and to make recommendations on the appropriate industry organisation to achieve these requirements, including any legislative changes to be made.²

This Task Force was made up of representatives from a wide range of interests in the industry including independent exporters, cooperatives, public companies, Federated Farmers, Ministry of Agriculture and

1. "Board Proposes Logical Strategy", in The NZ Meat Producer, Vol.11, No.8, September 1983, p.2.

2. The Press, 27 May 1983, p.3.

Fisheries, Meat Board and government. It appeared that the government wanted the Task Force to support the Board's proposals, but also include incentives for companies. The decision to appoint the Meat Board chairman, Adam Begg, as chairman of the Task Force brought claims that the Task Force was merely an 'in house job for the Minister' with the Task Force recommendations mirroring Board proposals.¹

There were two components to the Task Force recommendations. Firstly it reinforced the Board's position as the central statutory organisation for the meat industry, thus upholding its corporate status. It supported the Board's proposals to assume control of all export lamb and mutton carcasses (ex 'scales') and handle them as a national pool. It proposed that existing exporter licences be restricted, and the Board act as a primary exporter of carcasses and primal cuts, particularly to single buyer markets. However, the Task Force also provided a compromise for the companies, recommending that licences be available for New Zealand exporters wishing to acquire carcasses or primal cuts for export and product for further processing, where there was special expertise in relation to individual markets and their activities were consistent with overall marketing plans. This was commonly known as the 'buyback scheme'. In addition if there was a dispute between the Board and exporter over the issue of licences, the exporter was to have the right to appeal through legislative provision. Failure to agree on a price for licensed exporters to purchase the product was to be settled through an agreed arbitrator. The Task Force also recommended the number of organisations permitted into the UK be reduced to one, namely the Meat Board.

The second component of the recommendations was the need for a more broadly based industry organisation with commercial and marketing expertise to be responsible for industry planning and strategy. Thus

1. Richard Fletcher, "Meat Task Force Line-Up: In House Naval Gazing?" in National Business Review, 13 June 1983, p.30.

they proposed the formation of the Meat Industry Council (MIC). As the MIC was to exist alongside the Meat Board as the second major industry organisation there were speculations as to whether the MIC would eventually supercede the Meat Board as the formal corporate interest group in the industry. The Task Force however, clearly did not intend the MIC to have statutory authority over the Board. Instead it was to perform its functions in 'cooperation with the Board'. The Task Force recommended that the Board provide the secretariat for the Council, and that a member of the Meat Board be the chairman. The proposed membership of the Task Force was a chairman (from the Board), two Board members, one meat processing representative, one exporter representative, the Director General of Agriculture (or nominee), and two members selected for their commercial expertise.¹

The Board's reaction to the Task Force proposals was predictably supportive, with the exception of the recommendation that the Board be the sole importer in the UK. It preferred to appoint a small number of importer agencies.² Reaction to the report varied among companies according to the extent they would benefit from being able to have access to product from the national pool through buy-back arrangements, or on a contractual basis for the Board, or as approved importing agents in the various markets.

The Freezing Companies Association supported the general content and theme of the Task Force report, including the meat pool proposals, but with one 'fundamental exception':

While the Task Force recommended an MIC, we proposed the establishment of a Meat Industry Board with farmer, exporter and government involvement. The Board in our concept would not have³ directly procured, processed or market product.

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1. Report of the Meat Industry Task Force, August 1983, pp.3-4.
 2. The Press, Editorial, 5 August 1983, p.20.
 3. NZFCA, 10th Annual Report, p.4.

The larger vertically integrated multinational processing companies were in a position to benefit most from the changes. The Board openly acknowledged:

There will be a major role for private enterprise in exporting, particularly those companies that have marketing operations based overseas. Some exporters will be adversely affected and may well decide to redeploy their resources...New Zealand investors will still be able to invest in companies with active and I hope profitable marketing as well as processing operations.¹

As a Christchurch Press Editorial noted:

(While) in public they (the processing companies), expressed views of varying intensity from vague disquiet to open hostility, in private some are relieved they will be spared the risks and costs of selling a product that is difficult to market in the world's depressed economy.²

This observation was based on the fact that a year earlier, the MEC had supported temporary Board control because the risks and uncertainties in the marketplace were so great and the situation had not improved since then.³

Waitaki NZR, was singled out by the Board as a company likely to succeed under the scheme. Waitaki chairman of directors at the time, John Neilson, supported many of the Task Force proposals. He was firmly in favour of greater licensing controls for exports:

...the proliferation of meat operators is not in the best interests of an efficient and effective marketing system.⁴

1. Letter from Chairman Meat Board to all sheepfarmers, September 1983.

2. The Press, Editorial, 8 August 1983, p.20.

3. Ibid.

4. The Press, 5 March 1983, p.19.

Neilson claimed it was difficult to see how the company could return to buying all farmers' production, as a result of the significant increase in the New Zealand lamb and mutton products, the variations in returns for these products and the distortions created by the supplementary minimum prices scheme.¹

Not all freezing companies were supportive of the proposals however. While Waitaki as a public company supported the proposals for restructuring, the cooperative processing company Alliance (Southland Ltd), was less supported. Alliance chairman, John Falconer, said:

We are concerned that the system will favour multi-nationals simply because of their vertically integrated networks.²

One group of companies which openly voiced their opposition to the Task Force recommendations were the independent exporters. They potentially stood to lose most from the buyback operation because they lacked processing facilities. They opposed the restriction of licences in the UK market, anticipating they would effectively be denied the chance to trade carcase sheepmeats in Britain. The Independent Exporters Association supported the minority recommendations of the Task Force member, Ian Jenkinson, Managing Director of the Marketing Cooperative Primary Producers Cooperative Society (PPCS).

Jenkinson was cynical of his inclusion in the Task Force as he believed all marketing policy had already been determined and the main thrust would be an attack on the companies and unions to reduce costs.³ As a result he refused to give his consent to the majority view of the Task Force and instead produced his own minority report. He recommended that the proposed MIC be the central statutory authority in the industry

1. The Press, 5 March 1983, p.19.

2. Harry Broad, "Meat Exporters Fail to Unite", Straight Furrow, 29 July 1983, p.10.

3. Lind, op.cit. p.308.

with powers to perform major statutory functions leaving the Meat Board with less important areas. He suggested the Meat Board's function to oversee the industry be retained, but that marketing and trading should be the responsibility of a separate organisation, to be owned jointly by the MEC and MIC. He disagreed with the majority report which recommended the appointment of the Meat Board chairman as the chairman of the MIC. Instead he suggested that the chairman be selected through a joint session of the MIC and the Board.¹ PPCS also opposed the Task Force proposals because they gave the big English meat importers a privileged position yet they could withdraw their support from the industry at any time.²

The Meat Exporters Council publicly opposed the Task Force report, although there was a range of conflicting views among its members. It lobbied farmers to oppose the proposals through placing a full page advertisement in a number of newspapers. The advertisement focussed on the negative aspects of total acquisition, loss of free enterprise, bureaucratic control, lower returns, loss of choice and control by farmers. It also advocated the formation of an independent autonomous MIC with statutory authority. Along with the Independent Exporters Association and the Freezing Companies Association, it recommended an independent chairman with commercial expertise.³

There was common agreement among exporting companies that the MIC should have greater legislative authority in relation to the Meat Board. This view was also supported by a number of industry advisers, and caucus members. National MPs, Ruth Richardson and Derek Quigley, spent

1. Ian Jenkinson, Addendum to the Report of the Meat Industry Task Force, 5 September 1983.

2. Harry Broad, op.cit. p.10.

3. The Press, 24 April 1983, p.25.

considerable time talking to companies, particularly Dawn Meats and Alliance which were 'regular ports of call'.¹

As a result, while government largely accepted the Task Force recommendations, it made a number of changes which appeared to take into account some exporter criticism. Firstly, where the Task Force recommended one organisation to import lamb carcasses and primal cuts into the UK, namely the Meat Board, the government decided the Board should instead appoint a limited number of agents as primary importers to that market. It also suggested there should be a contractual arrangement between farmers, processors, and exporters for specialist markets. More significantly for the future of the Board's corporate status, the government decided the MIC should not be merely an advisory body as the Task Force suggested. Instead it proposed to give the MIC statutory powers independent of the Board. The functions of the MIC would include examining, commenting and approving industry strategies and plans developed jointly by the industry and Meat Board, and to monitor the performance of the industry and Board in executing these strategies and plans (see appendix 2). The government proposed the MIC should have a chairman appointed by the Board after consultation with the MEC and FCA, and with the approval of the Minister of Agriculture, and not a member of the Board as the Task Force had suggested. The MIC was also to have an independent administrative secretariat.²

These changes while not legally removing the Board's corporate status in the industry, did signify a threat. The MIC was given a semi-governmental role to oversee and arbitrate between the interests of the Board and companies, thus treating them more as equals competing against each other. The MIC however, did not receive its statutory powers before the National government was replaced by a Labour government and so

1. Interview, Ruth Richardson, 16 August 1986.

2. The Press, 11 November 1983, p.3.

remained an advisory body. There were some suggestions that the National government was reluctant to introduce the changes because of the effects on the Board's powers. As will be shown later in more detail, the Labour government was more committed to increasing the powers of the MIC over the Board in practice, even before draft legislation was introduced.

The Board's meat pool and buyback scheme once in operation, heightened the hierarchy of company influence in the industry according to the degree to which they could operate in the marketplace. The larger vertically integrated companies such as Waitaki NZR were able to profit significantly from the scheme due to their vertically integrated market structure and marketing expertise which the Board required. Waitaki's past chairman of directors, John Neilson, and general manager, Athol Hutton, agreed that they benefitted greatly from the buyback scheme. Hutton admitted there was considerable lobbying on their behalf:

We scratched the Board's back and they scratched ours. We played politics to get the best deal for the company, particularly as we had the resources and markets for buyback.¹

In that first year of operation, Waitaki claims they were the only company which made use of the buyback provisions. Hutton acknowledges that many of the advances made in further processing resulted from the Board's buyback scheme:

We could put product into a number of markets while the Board put an umbrella over us and the rest of the industry and helped identify what the markets required.²

Waitaki was also in a position to be able to negotiate good terms and conditions for selling meat on behalf of the Board on a commission basis, and acting as an importing agent. Waitaki's only criticism of the outcome was that the Board did not restrict sufficiently the number

1. Interview, Managing Director Waitaki NZR, Athol Hutton, 29 July 1986.

2. Ibid.

of importing licences in the UK. Neilson argues the number of licences should have been reduced to one or two. Instead the Board reduced the number from 21 to eight and later nine.¹

Those companies able to participate in buyback also pressured the Board to improve the operating conditions. Companies claimed the price which they were required to pay for the product was too high and would not permit them to process and sell meat at a profit. The Board eventually agreed to reduce the price by 15 percent but to phase out this discount over the following years. The Board justified this action arguing:

We believe the future of lamb will largely be determined by the ability to market the product as a premium food item and that further processing² by meat companies should be encouraged where appropriate.

However a number of industry commentators argued that the Board gave in to company pressure at the producer's expense. Many companies made profits and as Adam Begg admitted at an Electoral Committee meeting with producers, there had been claims that the Board had 'allowed the companies to make profits in good times and when the going got tough, they earnt fat commission by selling for the Board'.³

1. Interview, ex Chairman Directors, Waitaki NZR, John Neilson, 30 July 1980. The eight companies which became agent importers in UK for lamb carcasses and primal cuts were: Associated New Zealand Farmers (ANZF), Thos Borthwick and Sons Ltd, Cooperative Wholesale Society Ltd, Defiance Meats Ltd, Swift and Co Ltd, Dalgety Lonsdale Ltd, Towers and Co Ltd, Weddel and Co Ltd.

2. "Exporting Under Buyback", in The NZ Meat Producer, Vol.12, No.2, April May '84, p.6.

3. Electoral Committee of the Meat and Wool Boards, Annual meeting March 1983. The number of compromises made by the Board to take account of certain company interests must have reduced the Board's effectiveness as a marketing operator. One commentator noted it would be difficult for the Board to be successful at marketing as it had to "worry about such things as the need to be elected next time, and the need to keep various factions happy by compromises which will always tend to dilute an all out marketing effort" (NZ Farmer, Editorial, 10 November 1983).

For many of the smaller independent exporters, it was difficult to progress under this arrangement. Some of those companies which had been outspoken in their opposition to the Board's proposals appeared to be penalised. In particular, the marketing cooperative, Producer Meats Ltd, was refused an importing licence for its UK subsidiary. Unlike the other processing and exporting cooperatives, PML did not become involved in 'bricks and mortar' when it became clear that the Meat Board would ultimately control marketing. This may have counted against them.¹

In a newsletter to their shareholders, PML said they were:

...angered by the Board in their capacity as current trustee of the sheepmeat industry - not appointing Producer Meats (London) Ltd; a UK selling agent. Despite correspondence and meetings with the Board, the reasons given us for our omission as an agent are totally illogical.²

They claimed they were justified in expecting a licence as their UK subsidiary had been operating for 18 years as a New Zealand owned company, totally committed to the promotion and selling of New Zealand lamb. In more recent years, they developed a high quality processing and packaging operation at considerable cost. This was aimed at improving the marketing of the product so that supermarket chains could have access to New Zealand lamb in a form which would compete with the improved presentation of alternative meats.

Many independent exporters were critical of the Board's performance as a commercial operator. Independent's secretary at the time, John Foster, maintains there was no orchestrated or concerted campaign to undermine the Board.³ However the Board claims there was at least one occasion when the independents gave farmers information which criticised

1. Marianne Kelly, "Rebuilt Industry in Better Shape Than Most Realise", The New Zealand Farmer, 22 March 1984, p.24.

2. Letter from Producer Meats Ltd Managing Director, W F Leonard, to all clients, 12 March 1984.

3. Interview, John Foster, op.cit.

the Board's meat company in Japan, ANZCO before allowing the MEC to raise the matter with the Board.¹ The information leaked to farmers was a letter from the independents to the MEC, expressing concern that at a time when mutton was extremely short in Australia and they were importing various New Zealand mutton and lamb products at a premium, the New Zealand company was selling in Japan below the Australian price. The letter stated:

It is ridiculous this situation has arisen and we can only put this down to inexperience of ANZCO staff in Japan....As many exporters have stated over the past year, if we have a single seller there is no yardstick against which you can measure their performance. Unfortunately this is now happening.²

Other independent exporters however 'played the game' and gained the Board's approval. Research Fellow in Agricultural Policy of the Agricultural Economics Research Unit at Lincoln College and past general secretary of Federated Farmers, John Pryde, said:

If you are a little meat company in Timaru, then you have to be careful as Big Brother Meat Board holds the reins and you have to keep in the good books.³

One independent exporting company which flourished under the new scheme was Fort Exports Ltd (now Fortex Ltd). This company was willing to work within the system and gain Board recognition. As general manager, Graeme Thompson, said in 1984:

There were certainly many times when I wondered if trying to make headway in the system was worth it. Last year we were just a post box referring inquiries from overseas to the Board and if the price was not right on the Board's minimum, no sale was possible. But now the lines of communication have developed.⁴

1. Interview, Barrie Saunders, PR Officer for Meat Board, 23 May 1984.

2. Letter from John Foster, Secretary of Independent Exporters to Bob Diprose, New Zealand Freezing Companies Association, 28 March 1984.

3. Interview, Research Fellow with Agricultural Economics Research Unit Lincoln College John Pryde, February 1985.

4. The Press, 24 February 1984, p.21.

Fort was able to participate successfully in further processing using buyback products purchased from the Board.

The conflicting interests of those exporting companies coming under the umbrella of the MEC was heightened when the Board took control of all export meat. It became increasingly difficult for the Council to speak with a united voice. As past chairman of the MEC, Mr Eric Cammell, said in the speech to the Council:

We have been unable to operate cohesively and individual interests have always been paramount which is not, necessarily best for the industry or the country.¹

The policies of the MEC often conflicted with the policies of the Freezing Companies Association even though the freezing companies were also members of the MEC. As the general manager of one of the smaller independent exporting companies observed:

There was a lack of communication between the two organisations. This was despite the fact that at one stage the Marketing Manager of AFFCO, Eric Cammell was on the MEC executive, and the General Manager of AFFCO, Trevor Gibson was on the Freezing Companies Association Executive.²

As a result, the Freezing Companies Association decided to dissolve the Council in September 1985. It believed a more unified approach could be obtained through one representative organisation for the whole industry. It renamed the Freezing Companies Association as the Meat Industry Association (MIA), and set up a special marketing committee to incorporate the views of independent exporters and producer cooperatives.

5. 1985 - Changes Under Labour

In 1985 under the Labour government, companies began to lobby more actively to regain control of sheepmeat exports. Why the larger companies

1. NZMEC, Annual Report, 1984/85, p.10.

2. Interview, John Foster, op.cit.

such as Waitaki wanted to regain control when they were making significant profits under the buyback arrangements is not entirely clear. It appears that all companies feared that under the Board control of all meat exscales, the Board could be tempted to move a step further and take over the running of the whole industry, leaving no room for company initiative. Hutton specifically claims there was a limit to their growth under Meat Board control. The Board was still able to impose numerous specifications for export to certain markets which Hutton claims 'cramped their style'.¹

In 1985, the Meat Industry Association produced a discussion paper for the MIC and government which suggested the Board should lose its wide sweeping powers and concentrate on looking after farmers. Meat companies said the uncertainties created by the Board's outdated powers were the biggest obstacle to their industry's progress. They suggested that control over sheepmeat marketing should be returned to the private sector in the following season with a transition period managed by industry (not government). The Association also reinforced the increasing importance of the vertical integrated system:

Companies should either be integrated food processors or simply slaughter stock for a third party. Most meat marketing should be done by companies that market, manufacture, and process sheep and lamb.²

This Association's view coincided with government's desire to move toward more competition rather than coordination in a number of areas, including the meat industry. In 1985 the Minister of Agriculture, Colin Moyle, announced that the government would introduce legislation which would make the MIC the central organisation to develop policies for the industry. The government also gave the MIC broad guidelines on the direction it sought for the industry, but left the details of how to

1. Interview, Hutton, op.cit.

2. Ibid.

achieve these aims to the discretion of the MIC. Moyle said there was general agreement among all parties in the meat industry that marketing should be returned 'progressively' to the private sector. This included:

- a) progressively removing restrictions on exporter access to overseas markets and to product within New Zealand;
- b) developing an effective market for sheepmeats within New Zealand;
- c) separating Board indebtedness from future trading operations in which the Board would be involved.

It was agreed that the Board should have to compete with other companies in marketing, thus removing the favoured corporatist status of the Board.¹ It appears there was some discussion as to whether legislation would be introduced to remove the Board's monopoly powers, however it was decided these should remain provided they were not used to frustrate the overall plan to return to private enterprise within a three year period.

The Board however would not give up any of its powers without a fight, and by this stage it was clear the Board and companies were in more open competition with each other with the MIC as arbitrator. This was particularly evident when the government left the Board and exporters to come to some agreement over who should be responsible for marketing carcasses and primals to the Mediterranean Gulf, with the MIC to intervene as a last resort. The Meat Board had proposed the setting up of a consortium of three to four major companies in association with the Board, which was clearly using the Board's control powers. The MIA however would not agree and submitted an alternative marketing strategy to the MIC. The MIC supported the Board's proposals and the meat companies then asked the government to intervene.

1. The Press, 27 September 1985, p.1.

Accordingly the government asked the MIC to reassess its decision. It advised them that the Meat Board plan it had approved was not sufficiently in line with government thinking of freeing up those markets in the longer term. It put up a proposal of two consortia operating in competition over these markets with the Board acting as a trade participant in one of the consortia. The government also conveyed these views to the Board.

The Board however decided to continue with its earlier proposals creating greater conflict with the companies. The climax came when the Minister of Overseas Trade, Mike Moore, asked leaders of the five major marketing groups organised by the companies themselves as a means of coordination, to accompany him to the Arab States. During this time Hutton admits the company representatives put considerable pressure on Moore:

We travelled with the Minister and put a lot of pressure on him. He saw the frustration we were experiencing.¹

As a result the minister took action to change the situation, contacting both Colin Moyle and Adam Begg. The government threatened the Board financially offering to lend a further \$200 million to the Board to fund its Meat Income Stabilisation Account deficit only if it agreed to government demands.²

As a result the Board, in what has been described as a 'fit of pique' handed over all ownership to companies immediately rather than gradually over a three year period.³ The Board in practice lost its corporate status at this point. Although it is still formally the central statutory authority in the industry, it no longer has a favoured relationship with

1. Interview Hutton, op.cit.

2. Sarah Morton, "Meat Board May Pull Out of Pool", Straight Furrow, 6 November 1985, p.6.

3. Warren Berryman, "Moyle and Exporters Block Meat Board", National Business Review, 26 August 1985, p.3.

government. It is on a more equal footing with the meat companies, thus corresponding more to the pluralist theory of interest group behaviour. The Board no longer formulates policy on behalf of the industry; the companies now negotiate directly with government. Government has reinforced this trend by offering the meat companies the same financial protection that the Board had received as a marketer of meat.

6. Summary

Until 1970, the Board's relationship with companies was only partially corporatist in nature. While the corporate framework was set in place by the establishment of the Board, the importance of vertically integrated UK companies to the economy, limited the Board's ability to control the industry. As Biggs said in 1966:

There was an inherent degree of competition within the meat industry, as the Meat Board had to compete with large scale highly influential meat freezing works and proprietors important in government circles; which substantially reduced its scope of action.¹

Publicly the Board indicated it favoured the development of the New Zealand farmer owned cooperatives, and this was backed up to some extent by financial assistance. Nevertheless, the Board also considered the wellbeing of the overseas companies whose importance to the economy could not be denied. In this way the relationship was 'quasi corporatist' with a combination of both competition and coordination. As one writer commented: there was evidence of both 'socialism and a sturdy independence'.²

After 1970 however, the Board exhibited greater corporatist tendencies in its relationship with companies. It sought greater

1. Jeffrey Biggs, Corporatised Pressure Groups in the Welfare State, Wellington, Victoria University of Wellington, 1965, (Thesis, MA, Political Science), p.69.

2. Godfrey Harrison, Borthwicks... op.cit. p.127.

coordination of the industry by intervening in the marketplace and therefore limiting the role of the meat companies. This coordination inevitably included some cooperation and compromise with companies. Under the National government, the Board publicly emphasised the importance of vertically integrated overseas companies to the national economy, although by this stage they no longer dominated ownership of the meat processing works. The Labour government (1972-75) however did not support this attitude. They encouraged the growth of New Zealand owned vertically integrated companies such as Waitaki NZR.

In 1981, the smaller independent companies pressured the National government to delicense the processing industry, thus reducing the Board's powers and the privileged position of the larger processing companies in the industry. This suggested that the Board's traditionally favoured relationship with the National government was under threat.

Nevertheless the Board still retained its powers over marketing, and in 1983, sought to use its monopoly powers to control export meat ex scale, reducing competition in the industry. Predictably, the Task Force set up to investigate these proposals, provided some compromise for the companies through the buyback for further processing, and a limited number of licences for export. This compromise heightened the hierarchy of influence within the meat industry favouring such companies as Waitaki with further processing facilities and an international distribution network. By contrast, the Board's pool superseded the functions of the marketing cooperatives, and only a small number of independent exporter companies profited.

This move by the Board, signalled the peak of the Board's corporatist status, however this was to be shortlived. The same pressures for greater competition which led to the delicensing of the freezing industry, also led the National government to establish an industry organisation - the MIC - to oversee the industry, including

the Meat Board. The MIC was to have statutory powers independent of the Meat Board which formally threatened the Board's favoured status. In practice however, the MIC remained an advisory body and never received these statutory powers before the National government was replaced by the Labour government in 1984. The Labour government however gave the MIC greater powers to arbitrate over the industry, even though the statutory powers were not yet in place. In response to the change of government, the meat companies joined together to remove the Board's monopoly powers. This coincided with the government's plans for greater competition within the meat industry. As a result of company and government pressure, the Board relinquished its monopoly powers in practice (though not legally), placing the Board on a more equal footing with the companies.

Chapter four will examine the implications of the Board's corporatist relationship with government and other interests in the meat industry, namely meat companies, on its relationship with the farmers as primary constituents.

CHAPTER. IV
THE EVOLVING RELATIONSHIP BETWEEN THE MEAT BOARD
AS A CORPORATE INTEREST GROUP
AND ITS PRIMARY CONSTITUENTS, THE FARMERS

The internal accountability of Board members to their primary constituents, the farmers, is to a large extent affected by the Board's status as a corporate interest group having a close relationship with government. Before discussing the corporate theory of a group's internal accountability to members it is necessary to define 'accountability'.

Groups are generally accepted as being 'representative' if group goals reflect member preferences. In pluralist theory, representativeness is taken for granted as 'regardless of how group goals may change over time, member turnover...will guarantee the group's representativeness in the long run'.¹

Representativeness however does not necessarily imply member participation. Theorists Arthur Bentley, David Truman, Robert Dahl adopt an elitist view of group behaviour claiming that minimum member participation is an advantage. On the other hand, British liberal democratic theorists such as John Stuart Mill, Carole Pateman, consider citizen participation as important and desirable.² Wilson clarifies this difference of opinion by identifying a group as:

...representative, but undemocratic if member influences are congruent with leadership policies, but (member-ship participation is limited, ie) members do not as a practical matter choose these leaders in meaningful elections or participate in the formulation of leadership policies...To the degree that a group permits members to freely choose officials or policies, it is democratic.³

1. Terry Moe, The Organisation of Interests, Chicago, University of Chicago Press, 1980, p.73.

2. Reginald Harrison, Pluralism and Corporatism, London, George Allen and Unwin, 1980, p.65.

3. James Q. Wilson, Political Organisations, New York, Basic Books, 1973, pp.237-238.

Where a group membership is permitted to participate, this is most commonly through the election of group representatives. This may or may not allow members to indirectly influence group policy decisions. Alternatively there may also be more direct provision for group members to affect policy.

It must be pointed out that the mere existence of statutory provision for member participation in elections or policy-making, may not necessarily mean the group is democratic in practice. As an example, organisational theorist Moe, claims that:

If leaders are shielded from the vicissitudes of competitive, closely fought elections, in effect guaranteed official positions, then they will be free of electoral restraints in shaping group policies.¹

In most cases he would argue, they have no influence over policy at all, and in some cases can be used to mobilise support. For this study, it will be assumed accountability covers both representative and democratic elements as outlined by Wilson.

1. Theory: The Corporate Interest Group and Internal Accountability

Corporatist theorists argue that the corporate interest group will exhibit greater tendencies towards oligarchical internal organisation than interest groups or organisations generally.² While this implies that a group will be less democratic and representative, not all theorists see this as an inevitable outcome. It is widely accepted however that corporatism implies less group membership participation. As Lehmbruch states: 'A large autonomy of the lower echelon is difficult to

1. Moe, op.cit. p.249.

2. See Michel's 'Iron Law of Oligarchy' which states the natural tendency of organisations is to retain power with little or no intention of competition and without necessarily being representative or accountable to membership and interests. (Roberto Michels, *Political Parties*, New York, Free Press, 1962, quoted in Harrison, op.cit. p.69.)

reconcile with corporatism'.¹

Moreover, a number of theorists go further and claim that corporatism implies group policies will be less representative of group interests. Schmitter argues the internal organisation of a corporate interest group will be compulsory and hierarchically ordered: '... the osmotic process whereby the modern state and modern interest associations seek each other out leads on the one hand to even further concentration and hierarchic control within these private governments.'²

Expounding this further, Schmitter states that contrary to pluralist thought, membership in associations is not always voluntary and a wide range of de facto, as well as de jure arrangements exist both to bind members to 'their' association, and to prevent the emergence of competing ones. Secondly, interest associations are not just the passive recipients of already formed members' interests, but may play an active role in identifying and forming those interests. Finally, interest associations do not merely transmit member preferences to authorities, but may actively and coercively govern the behaviour of their members, especially through devolved responsibility for the implementing of public policy.³

Harrison reinforces these views claiming not only do group preferences become compromised in negotiation with other groups, but group representatives may suffer an attitudinal compromise through their close links with government and so even less faithfully represent their sectors. He claims the group may lose some of its autonomous and representative nature:

1. G. Lehmbruch, "Neo-Corporatism in Comparative Perspective", in G. Lehmbruch and P. Schmitter (ed), Patterns of Corporatist Policy Making, London, Sage Publications, 1982, p.24.

2. P. Schmitter, "Still the Century of Corporatism?" The Review of Politics, Vol.36, No.1, Jan. 1974, p.91.

3. P. Schmitter, "Reflections on Where the Theory of Neo-Corporatism Has Gone and Where the Praxis of Neo-Corporatism may be Going", in Patterns of Corporatist Policy Making, P. Schmitter and G. Lehmbruch (ed), London, Sage Publications, 1982, p.260.

To the extent that leaders are perceived as more remote, detached from members' views and aspirations and association with government, membership involvement declines and becomes apathetic, or because of a reduced commitment to the procedures hitherto recognised for defying the group's position, it becomes anarchically militant.¹

Harrison notes a second outcome of a group being recognised by government above other groups is that 'taken far enough it can virtually shut off the main challenge to established elites - a freely formed new association, denying the representativeness of old'.² 'To the degree that institutionalisation confers a sectoral monopoly, it thwarts the expression of individual or minority group dissent within the sector.'³

Mulgan however does not believe that corporatism automatically implies less group representativeness. He believes group leaders are conscious of the need to pursue the interests of those whom he or she represents, however at the same time, each will be aware of the need to remain on good terms with representatives of other groups and interests. The process of continually shifting disputes requires an elaborate degree of give and take among the participants, a willingness to concede here and to gain there.

Mulgan acknowledges that the power given to corporatist interest groups is only indirectly passed to the rank and file:

Most rank and file members of particular groups will do little more than pay an annual subscription, perhaps attend an occasional meeting at a time of crisis or vote to elect representatives if elections are contested.⁴

Nevertheless he claims that if the members are:

...aware of their own interests as members of the groups and are prepared to become more active if their representatives are unsuccessful in securing what they want, this will often be sufficient to guarantee

1. Harrison, op.cit. p.72.

2. Ibid, p.72.

3. Ibid, p.74.

4. R. Mulgan, Democracy and Power in New Zealand, Auckland, Oxford University Press, 1984, p.105.

responsiveness, not only from their representatives, but also from various branches of government which deal with their group.¹

The extent to which the Meat Board is both representative and democratic will be examined in this chapter. This analysis will be restricted to assessing the effectiveness of the Electoral Committee, as the main statutory provision (albeit indirect) for producers to hold the Board accountable.

The electoral committee of initially the Meat Board and later also the Wool Board was set up by regulations for the Meat Export Control Act 1922. This provided for 25 delegates to be elected by sheep farmers on a district basis, the number of districts to be decided by the Board. These delegates were given the task of electing producer representatives, and considering the annual report and balance sheet of the Board.

As the electoral committee is an intermediary body providing the main formal link between the producer and the Board, to be effective it must be able to hold Board members accountable and influence policy, as well as being held accountable to producers itself. Each of these processes will be examined separately, distinguishing between the periods 1922 - 1970 and 1970 - 1985, to illustrate significant changes which have taken place since 1970.

2. The Electoral Committee and the Producer

(i) 1922 - 1970

The Meat Board initially divided the country into six electoral districts from which 25 committee delegates were elected by sheep farmers. A sheep farmer was defined as: 'a person, company or corporation owning not less than 100 sheep'. Membership of the committee was for a period

1. R. Mulgan, Democracy and Power in New Zealand, Auckland, Oxford University Press, 1984, p.93.

of one year but delegates could offer themselves for re-election and if unopposed in their respective district, they were returned as of right. No person was eligible for candidacy as a delegate unless nominated by a sheep farmer and seconded by another sheep farmer.¹

The concept of an electoral committee was modelled on the American electoral college system for electing the president, an understanding of which provides some insight into the degree to which the committee was intended to provide an affective means for holding the Board accountable. The American Electoral College was intended to be:

...an independent body of men chosen by the people from among themselves on account of their superior discernment, virtue and information...left to make the election according to their own will, without the slightest control from the body of people.²

The college was to elect the president in a 'calm judicious atmosphere, remote from popular passions'.³ The Meat Board and government clearly had similar objectives in mind in the formation of the electoral committee system of election for the Meat Board. According to the first Board chairman, Mr David Jones, it allowed the Board to adopt a national approach to decision-making, free from the pressures of local issues which would arise if Board members were elected directly by producers on a regional basis.⁴ Even the committee elections, which were organised on a regional basis were unlikely to be contested on the basis of regional issues of contention as the number of districts was limited to six, and therefore each district covered a large area.

This electoral committee system was clearly intended to prevent producers from significantly influencing the Board through competitive

1. 1970 Meat Board Regulations.

2. Report of Select Committee of USA Senate, 19 January 1826, quoted in L Wilmerding, The Electoral College, New Brunswick, Rutgers University Press, 1958, p.170.

3. Alan L.Clem, American Electoral Politics, New York, D Van Nostrand Company, 1981, pp.200-201.

4. New Zealand Parliamentary Debates (NZPD), (1930), Vol.225, p.848.

elections. As Moe claims, elections will only be an effective means of accountability if leadership depends on member votes for their position and therefore they are led to appeal to the membership on an issue basis.¹ It appears then that the Meat Board as a corporate interest group backed by government intended the electoral committee to be removed from producer influence and in turn to prevent too much scrutiny of the Board. This was necessary if the Board was to make decisions at times which compromised producer interests with other interests in the industry.

As could be expected, farmers initially rarely participated in the committee elections. Voter turnout for contested elections was as low as 23.5 percent in 1923 and 24.5 percent in 1924. More often, elections were unnecessary as incumbent delegates were rarely challenged, and where vacancies occurred, there was often only one nomination. This gave rise to a situation where delegates were appointed rather than elected. The first committee was appointed by Parliament and the Sheepowners Federation, and later in 1929 one MP noted:

It is the most abominable system of appointment in which three organisations - the Agriculture and Pastoral Association, Sheepowners Federation and Farmers Union, nominate representatives to the committee. This is often without a vote and goes down₂loaded with the idea of leaving things as they are ...²

This emphasis on appointment rather than meaningful elections, ensured that vacancies were filled by persons regarded as 'suitable' by the Board and other major agricultural organisations. This resulted in a network of men on the committee many of whom later became members of the Meat Board, other producer boards, Federated Farmers and government. In addition, many of these well known family names have appeared

1. Moe, op.cit. p.249.

2. NZPD, Vol.225, 1930, pp.942-943.

on later committees.¹ This formation of a complex network led to the often heard claim that the committee is part of an 'old boys' network' or a self-perpetuating oligarchy. As a result, delegates were not considered to fully represent producers.

An attempt was made to improve the effectiveness of the electoral system in 1928 when regulations were amended to prohibit any member of, or candidate for, the Meat Board from standing for election to the electoral committee. As Herman notes: 'this provided for a separation of the committee and Board allowing for no duplication of interests'.²

The Board also acknowledged it would have to make some changes to the system to encourage greater producer participation, and identified the small number of electoral districts as a major problem. In the Board's Third Annual Report, it was noted:

The Board last year had under consideration the practicability of reducing the size of the various electoral districts and a recommendation was also received from the annual meeting of delegates to this effect. It is hoped this will reflect in the candidates being known₃ to a greater proportion of electors in the district.

However the increase in electoral districts from six to 10, seemed only a token gesture and had very little effect on voter turnout. Thus in the first year after this change, only three elections were necessary out of a possible 10, with 26 percent voter turnout, and in the second year, only one election was necessary with 31 percent voter turnout.

In the early 1940s, voting turnout increased slightly ranging from 37.84 percent to 46.33 percent. This increase was likely to have been

1. Sir Charles Hilgendorf, "Comments on 1st Annual Meeting of Electoral Committee, August 1923", 3 May 1979, pp.1-5 (paper).

2. P. Herman, "The Electoral Committee of the New Zealand Meat and Wool Boards", Political Science, Vol.26, July 1974, No.1, p.58.

3. New Zealand Meat Producers Board (NZMPB), Annual Report and Statement of Accounts, 1925, p.3.

caused by farmers' concern at the continuation of the government purchase of meat toward the end of World War II in 1944. This concern was reflected in greater farmer interest and three incumbent members on the Meat Board were replaced. In 1947 the Board made a more significant attempt to increase farmer interest in elections by increasing the number of electoral districts to 21, thus creating more single delegate districts. A further district was added in 1957 and again in 1964, bringing the total number to 23, and leaving only the Southland and Gisborne districts with two delegates each. This situation still exists today. Following this change, the voting percentage was initially higher, reaching 56 percent, but then fluctuated between 1948 and 1970, from 33.86 percent to 56.92 percent, averaging 48 percent.

While there were some increases in farmer interest in the electoral committee during this period, the predominant impression is that farmer interest was generally low. As Herman noted, since elections were the exception rather than the rule, it was generally not necessary for aspiring or incumbent delegates to campaign.¹

Equally significant is the suggestion that prior to 1970, the contact between delegates and producers was limited:

G A Shanks, delegate for Gisborne since 1960 stated that many farmers in his district were actually unaware of the committee's existence, and that on occasions he was introduced at local meetings as a Board member, not a committee delegate.²

Herman however argues that although the committee demanded no substantial interest among the rural community, this cannot be taken as a condemnation of the committee, rather the reverse:

Prior to 1973 it has to be admitted that the system has, from its inception worked quite smoothly and adequately; and coupled with the fact that the Boards have embarked on few actions that have

1. Herman (1974), op.cit. p.61.

2. Ibid, p.61.

proved divisive, the unruffled history of the committee has largely dulled farmer awareness.¹

Herman argues that while the noticeable lack of elections giving rise to situations where delegates were simple re-endorsed year after year without having to expound their policies would normally be anathema to most electoral systems, in this particular electoral committee process a non vote by a farmer, must, in a majority of cases be interpreted as a vote of confidence in the status quo. Herman argued that the sharp increase in farmer interest in the committee elections during the controversial 1973 wool acquisition debate was evidence of its effectiveness.² This was a case where the committee and Federated Farmers supported the government's proposed moves, however the average wool grower objected, and as a result there was the highest ever voter turnout and the largest number of incumbent delegates replaced. In 1972, the number of elections was an all time high of 11, and this was exceeded in 1973 when 24 out of 25 seats were contested and 15 new delegates were elected. The voting turnout for those years was 57 per cent and 67.4 percent respectively. Herman argued that this indicated the electoral committee was used by farmers to express their opinion, also emphasising that farmers' dissatisfaction was not aimed at the committee but the Wool Board.

While this argument may be feasible in part, some points may be contested. While it seems that prior to 1973, the Meat and Wool Boards did not engage in many controversial activities which demanded farmer attention, it is not satisfactory to assume that a farmer's non-vote in a majority of cases was a vote of confidence in the status quo. The electoral committee system in fact encouraged very little producer awareness of Board activities. There was scant communication between

1. Herman (1974), op.cit. p.61.

2. For more detail on the wool acquisition debate see chapter two, p. 51.

farmers and the committee and this was heightened by the lack of any formal communication structure outside Federated Farmers. As a result, farmers had a limited basis on which to gauge the performance of both Board and committee delegates. There can be no effective accountability unless there is adequate information available. In addition any information which was passed on to farmers by the committee was likely to have been limited to that supplied by the Board.

The interest taken in the elections during the time of the 1973 wool acquisition debate has in fact been described as a farmers' 'revolt' indicating it was more than simply an example of the committee's effectiveness as a vehicle for a farmer opinion.¹ Although it provided a means for wool growers strongly opposed to Wool Board policy to gather a majority on the committee and then proceed to elect members to the Board who reflected grower opinion more accurately, there was also some implicit disapproval of the electoral committee system. The committee had earlier failed to transmit accurately the views of the majority of farmers clearly opposed to the proposals, thus indicating a general lack of representativeness.

Secondly farmers were made more aware of the whole issue through wide media coverage, giving farmers a wider range of information than they would normally receive through the committee. In addition, an active farmer minority group opposing the proposals, the Wool Action Committee, also launched a widespread campaign to provide farmers with more information, and to transmit grassroots farmer opinion back to the Board through a referendum of all wool producers.

1. Brian Peacocke, "A Review of the History of the Producer Boards and the Electoral Process From the Producer to the Statutory Boards", June 1981, p.23. (Paper to complete the Kellog New Zealand Rural Leadership Course, Lincoln College.)

(ii) The Turning Point, 1969 - 1973

Although the 1972/73 upheaval of the electoral committee raised questions as to its effectiveness, some of the details of the formal committee process had already been questioned in 1969 by an electoral committee subcommittee, set up by the electoral committee and the Meat and Wool Section of Federated Farmers. A second subcommittee was set up by the committee in 1973, consisting of representatives of the committee and secretaries of the Meat and Wool Boards. These subcommittees examined the electoral procedures, meetings and functions of the committee, and made recommendations on the basis of submissions from other major farming organisations and individuals. One major issue addressed by both subcommittees was voter qualification. The 1969 subcommittee suggested that the statutory requirement for a farmer to have 100 sheep to be eligible to vote should be extended to include farmers with 100 cattle for the purposes of beef production.¹ This was subsequently included in the regulations. It was also suggested by both subcommittees that the sheep stock requirement should be increased from 100 sheep to 300 (1969 subcommittee recommendation) or 250 (1973 subcommittee recommendation). It was argued that if the stock requirement is too low, it opens the way for the influence of part-time farmers who operate only a small flock and have no real stake in the system.² However there have been no formal changes to the regulations.

One major change to the regulations has been the removal of the original statutory provision for a committee delegate to be appointed by the Board as a result of an extraordinary vacancy, such as an early retirement. The regulations now read:

1. 1970 Report of the Subcommittee appointed by the Electoral Committee of the New Zealand Meat and Wool Boards and Dominion Meat and Wool Council of Federated Farmers to examine electoral machinery of the two boards.

2. 1970 Subcommittee Report op.cit. and 1974 Report of Subcommittee appointed by the Electoral Committee to examine electoral procedures, meetings and functions of the committee.

If a vacancy occurs not less than 70 days before the next day fixed for a meeting of the Electoral Committee, the vacancy is to be filled by a postal ballot conducted by the Board in the electoral district where the vacancy occurred. Alternatively, if the vacancy occurs less than 70 days before the next day fixed for a meeting of the Electoral Committee, the Meat Board after consultation with the Wool Board and members of the Meat and Wool Section provinces within the region may appoint a farmer to fill the vacancy.¹

This recognises the need for the electoral committee to have greater independence from the Board. Furthermore, the two subcommittees also agreed that the electoral ballot should be conducted by a returning officer, and not the Board, and any decision to hold another election should also be conducted by the returning officer.² However no formal changes have been made to the regulations as a result of this second recommendation.

Again regarding the voting procedure, the 1973 subcommittee was strongly in favour of a one man one vote system. They felt that in a legally constituted partnership where the stock is owned jointly by all parties, the present provision for each partner to be allowed a vote is wrong and the partnership should be allowed only one vote.³ Similarly one person owning a number of different properties, either in the same or different electoral districts should not be entitled to more than one vote. Although these concerns have not been given further consideration, Herman signals its importance:

In the Oamaru electorate of Waitaki county, there are 11 cases of one elector having two votes; in the Kurow electorate of the same county 10 similar cases are apparent.⁴

Herman acknowledges the general lack of participation in past electoral committee elections has nullified any possible repercussions that the

1. Amendment to 1970 Meat Board Regulations, 1972/2 Section 3A, p.636.

2. Subcommittees of the Electoral Committee, Reports 1970, 1974.

3. Subcommittee of the Electoral Committee, Report, 1974.

4. P. Herman (1974), op.cit. p.66.

plurality of votes may have had. Nevertheless, the implications could be greater in the event of controversial policy decisions which require and elicit maximum farmer interest in elections. The 1984 elections were a good example where in many cases the difference in votes was about 20 and in some cases less than five votes. In that instance, a plurality of votes could have made a considerable difference to the outcome.

The 1969 subcommittee made equally significant recommendations for change regarding the communication between the committee and farmers, which resulted in amendments to regulations. It recommended greater liaison with provincial meat and wool sections of Federated Farmers and producers generally. It recommended the inclusion on the committee of two delegates from the Dominion Meat and Wool Council of Federated Farmers, including the chairman.¹ The regulations were changed in 1971-72 to include one representative on the committee from the Dominion Meat and Wool Section of Federated Farmers; the chairman, with full voting rights, except that he may not vote on the election of producer representatives, nor on the adoption of any annual report or balance sheet of the Meat and Wool Boards.² As Federated Farmers is the recognised political arm of producers, comprising a high percentage of all producers as members, and a strong communication network down to provincial and branch levels, this was a positive step to improve communication between the electoral committee delegates and producers.³

The 1969 subcommittee was also concerned that many of the views put forward by delegates, particularly through remits, were not necessarily

1. Subcommittee of Electoral Committee, Report, 1970.

2. Amendment to 1970 Meat Board Regulations 1972/2 Section 3, p.636.

3. The contribution of Federated Farmers as an influence on the Board's accountability to farmers has not been examined in this thesis. Useful analysis of the role of Federated Farmers can be found in: R. Mulgan, Democracy and Power in New Zealand, Auckland, Oxford University Press, 1934., and P. Herman, A History of Federated Farmers, Wellington, Victoria University, 1976. (Thesis: MA, Political Science)

representative of the majority view of their electoral districts. Remits have been known to be scribbled on the back of flight tickets on the way to the meeting.¹ The subcommittee suggested all remits should have the signature of 10 electors as seconders or have the support of Meat and Wool Section within the appropriate province. This was not supported however by the later 1973 subcommittee and has not been pursued further.² However it would seem a positive step to make the committee more responsive to farmers' views.

(iii) 1973 - 1985

While the number of seats contested and voter turnout remained high for some years following the 1972/73 wool acquisition debate, voter turnout averaging 57.56 percent between 1974 and 1980, farmer interest dropped back again in early 1980s with an average of two seats contested between 1981-83 and a voter turnout average of 46 percent. Farmer interest increased again in 1984 with the occurrence of a major issue in the meat industry similar to the wool acquisition debate 10 years earlier. The number of contested seats rose to 14 with five seated members being replaced.

While there has been only a marginal increase in farmer participation in elections, there are indications that the elections have become more effective in allowing farmers to influence the committee. One of the major improvements has been the degree to which elections have become more issue oriented. Both incumbent and challenging candidates have begun to air their views on particular issues more publicly as part of an election campaign. Prior to the 1984 committee elections, the views of those standing for seats in the Canterbury area were clearly outlined to farmers through campaign newsletters, and media coverage.

1. Interview with Research Fellow in Agricultural Economics Unit, Lincoln College, John Pryde, February 1985.

2. Subcommittees of Electoral Committee, Reports, 1970, 1974.

In the mid Canterbury district, candidate Brian Cameron who was challenging the incumbent delegate, Brian Lill, clearly stated that he was standing for election on the basis of his views on the meat marketing debate:

You will probably be aware that my interest in this position has arisen primarily as a result of the decision by New Zealand Meat Producers Board to implement major changes in the industry; and in particular the decision to acquire all sheepmeats.¹

He then went on to say that in his opinion, he did not think the removal of private enterprise and competition implied in the Meat Board proposal would provide the best long term solution to problems in the meat industry. Lill, while expressing his specific views on the Board's activities, gave this only a brief mention in a wide coverage of the activities of both Meat and Wool Boards at the time.

As the meat acquisition issue was particularly controversial, similar to the wool acquisition debate, it is necessary to be cautious in generalising on the basis of this example. However a comment from a delegate at the 1984 committee meeting with the Board, indicated that issues could be the basis for further election campaigns. Thus during a discussion over port charges reforms, Southland delegate, Mr Aubrey Begg commented: 'This will be a good committee election issue for next year'.²

Nevertheless, even if elections are based on issues, it cannot be taken for granted that farmers will consistently vote on the basis of a candidate's view on a particular issue. During the 1984/85 elections at the time of the meat marketing debate, some farming areas known to hold strong views on the issue, did not vote for the candidate supporting those views.³ In that case it could only be assumed that they

1. Electoral Committee campaign newsletters, June 1984.

2. Electoral Committee meeting, 14 August 1984.

3. Interview with Federated Farmers Chief Executive, Rob McLagan, 14 August 1984.

voted for the candidate's personal attributes, more in line with the traditional electoral committee expectations.

While the increase in issue oriented elections would be seen by organisational theorists such as Moe as providing a more meaningful form of accountability, it has met with strong opposition from the Board and some government members who claim the committee is being run by minorities. This refers to the members of the Wool Action Committee which dominated the electoral committee in 1973, and the Meat Action Committee formed in 1984 at the time of the meat marketing debate, some members of which were elected to the committee in 1984. Minister of Agriculture, Colin Moyle, expressed concern at the Meat Action Committee putting up a ticket of candidates in 1984 elections.¹ However, one of the key figures on the Meat Action Committee and a member of the electoral committee for some time, former Labour MP, Aubrey Begg, claims that the Action Committee was not intended to be involved directly in putting up a party ticket for the electoral committee. Those associated with the Action Committee stood as candidates for the electoral committee if they chose to, but were not promoted by the Meat Action Committee. Begg claims that four out of five electoral committee members in 1984 were members of the Meat Action Committee, however they did not have a majority.²

Begg believes it is essential for potential committee delegates to express their opinions on issues:

Although farmers are traditionally supposed to elect members independently of their views on issues, obviously farmers will want to know a member's stand on a particular issue. It is not enough for a candidate to say, 'I will read the accounts' which is the statutory requirement. Farmers also need to know what sort of things candidates will look for in the accounts.³

1. "Electing Producer Representatives", The New Zealand Meat Producer, Vol.13, No.1, Oct/Dec 1984.

2. Interview with Electoral Committee member, Aubrey Begg, 14 August 1984.

3. Ibid.

At the 1984 Electoral Committee meeting during the questioning of the Board's annual report, it was clear that delegates who were members of the Meat Action Committee dominated the questions and remits. The highest number of questions was asked by Begg (9) and Styles (6), both members of the Meat Action Committee. Nevertheless, each committee delegate asked at least one question and the majority asked between one and four.¹

Despite this apparent dominance of the Meat Action Committee on the Electoral Committee, these members were in a minority, and any remits proposed would not be passed unless there was majority support. Thus at the March 1984 electoral committee meeting, a remit was put forward by a member of the Action Committee, Styles: 'to ask the Meat Board to honour its solemn promise of November 4, 1982, to return the meat industry to private enterprise, enabling producers to have a choice of selling options'. This remit however was not supported by the majority, losing by 18 votes to 6 with one abstention.²

Delegates have also increased their representativeness through providing producers with more information and seeking their views. This need was highlighted by both the wool acquisition debate and the meat marketing debate, when it was clear the committee was not aware of farmers' views. At the 1984 electoral committee meeting delegates often relayed individual farmer requests or questions through to Board members. Members were also clear that their responsibility was to pass more information on to the farmer. As mid Canterbury delegate, Brian Lill,

1. Survey taken at August Electoral Committee meeting. There was some error as this calculation was based on the number of times a member stood up to ask a question, however on some occasions a member asked two questions at once, and at other times members were prevented from asking questions as it was asked by another member earlier. It was also noted at times that the person asking a question was doing so on behalf of another member possibly to prevent the impression that one member was dominating the proceedings.

2. Electoral Committee minutes, March 20-21, 1984.

said: 'I will have to be able to give an answer to farmers in my area'.¹

Obviously the degree to which each delegate communicates with members in his electoral district varies, and many farmers still do not know how their delegate performs; the questions he asks, the remits he puts forward or how he votes. However it would seem that as farmers become more aware of issues, they will demand this communication with their delegates.

This development reflects a similar trend in the development of the American electoral college system which is:

... no longer the independent body and superior characters which they were intended to be. They are not left to exercise their own judgement; on the contrary they give their vote or bind themselves to give it, according to the will of their constituents.²

However, while these improvements have made the committee more representative of farmers' interests, paradoxically this representativeness was limited by the Board's increasing commercial functions between 1982-85. With the increasing commercial secrecy imposed by the Board, it became difficult for committee members to obtain information from the Board and more particularly to pass it on to producers. Greater proportions of meetings with the Board were conducted 'in committee' so that while delegates may have received information from the Board they were unable to pass it on to producers.

At the October special meeting of the committee many members expressed their uncertainty at how much of the information they received from the Board was able to be passed on to farmers, particularly when much of it was marked 'confidential'. While the Board's Public Relations Officer, Barrie Saunders, pointed out that it was up to the committee to

1. Electoral Committee meeting, 1984.

2. Senate Report, No.27, 19th Congress, Last session, "Resolutions Proposing Amendments to Constitution of USA", Senate Select Committee, 1826, quoted in Alan Clem, op.cit. p.4.

use its discretion unless he made it clear that information was not to be disclosed, he added 'so far you have had impeccable discretion', suggesting the Board was happy if the committee passed on as little information as possible.¹

(iv) Summary

The electoral committee modelled on the American Electoral College system was clearly not intended to encourage producer participation either in meaningful elections, or even less in contribution to policy. The committee was also unrepresentative, resembling more of an elite 'old boys' network'.

Nevertheless there have been attempts by the committee itself since 1970 to improve its representative nature as well as encouraging greater communication with producers. This has resulted in a more representative and more democratic electoral committee, however limited to some extent as the Board began to function more as a commercial company than a political organisation.

Ironically the developments made to the committee have been criticised by some as increasing unrepresentativeness as the committee has become subject to radical minorities who oppose Board activities, ie Wool and Meat Action committees. This claim however would seem to be a concern of those with vested interests in the continuation of the traditional electoral committee system, remote from producer views and therefore shielding the Board from producer scrutiny.

1. Christine Bartley, "Improve Communications Request", Straight Furrow, 20 November 1985, p.7.

3. The Electoral Committee and the Board

(i) 1922 - 1970

The two formal functions of the committee have not changed since 1922. They are to elect producer representatives, and to consider the Board's annual reports and balance sheets. The electoral committee initially met every August to select the Board producer representatives. These Board members had two year terms with three of the five seats coming up for election in one year and two seats the following year. Candidates for the Board must be nominated and seconded by sheepowners though they need not own sheep themselves.

Initially the voting for producer representatives was carried out on a purely competitive basis. Delegates voted for the first two choices and those two candidates with the most votes were elected. A majority of votes was not necessary. However there were a number of disadvantages with this system, particularly in cases where there was a multiplicity of candidates, with each one commanding a fair measure of delegate support. In 1958 it was decided that successful candidates should be required to gain a majority of delegate's votes, so the system moved from being competitive to preferential voting. Delegates still voted for their first two choices, but if one delegate received a majority on the first ballot, his name was withdrawn from the list and the committee then merely took a single vote on remaining candidates. If no candidate received a majority on the first ballot then the least preferred candidate was eliminated and voting was conducted on the rest.¹

In practice however, it was clear that the initially appointed Meat Board did not want the electoral committee process to provide opposition to the existing membership. A later Board chairman, Sir Charles Hildendorf, commenting on the documents of the first electoral committee meeting with the Board in 1923 noted:

1. Herman (1974), op.cit. p.59.

...one committee member, W G Sherrat of Gisborne wanted to know why nominations for the Board election had not been called for in advance of the meeting. The chairman had some difficulty in explaining this but it eventually appeared that the Board was pretty satisfied with its present membership and thought there was less likelihood of a change, if delegates did not have too long to think about the alternatives. The Board however did offer to change the system next year and said nominations for the Board would be called for and chosen at the same time as those for the Electoral Committee.¹

Hilgendorf also suggested some committee members were apathetic towards their duty of holding Board members accountable:

Someone suggested that if nominations were called in advance a postal ballot by the Committee could elect the Board and a Committee need not come to Wellington at all.²

This motion was not accepted but some delegates were obviously not interested in questioning the Board regarding the annual reports and balance sheet.

If the committee is viewed as part of an 'old boys' network', this attitude can be seen as a greater desire of committee delegates to be loyal to the Board in order to have a greater chance of later election to the Board, than vigorously checking the Board's activities. In addition the Board frequently superceded the committee's role of electing Board members by appointing members itself where 'extraordinary vacancies' occurred.

This situation aroused considerable criticism from both producers and particularly the Labour party who proposed an amendment to the Meat Export Control Act 1922, to allow direct voting, but it was not passed. As Oamaru MP, John MacPherson, said in 1924:

I think it is pretty well known throughout the country and in this House that the present method of appointment does not suit the wishes of the producers. It is certainly not democratic....³

1. Hilgendorf, op.cit. pp.3-4.

2. Ibid, p.4.

3. NZPD, Vol.205, 1924, p.520.

Similarly Kaiapoi MP, David Buddo, commented during a Parliamentary debate:

In my own district, the method of electing the Board has caused a considerable amount of bad feeling. The Board is somewhat in the nature of a close corporation thanks to the adoption of something like the American presidential system of indirect election or election by delegates. There must have been some deep thinking to incorporate that in the system.¹

Past Farmers Union president, William Polson, said in 1929:

...in spite of efforts over a series of years, only one alteration in personnel and that only temporary has been made. It is a life job once a man is elected to the Board. No new blood can get onto it, save by the consent of the Board. There is no opportunity for new₂men getting onto the Board under the present system.²

Interestingly, Massey also appeared, outwardly at least, to agree with the arguments in favour of direct voting saying:

I do not like a complicated system myself; I prefer the simple system by which electors know exactly what they are doing and whom they are voting for...³

Nevertheless, he made no attempts to change the legislation.

Figures showed that for the period 1922 - 1970, there were 13 years where incumbents were returned unchallenged. In those years when there were nominations the average number was 2.5. The first significant election was not until 1944 when the three Board members who had finished their term, offered themselves for re-election and were all replaced. Prior to that only one member had been replaced, and he had been returned again after one season. Moreover, in the period prior to 1944, there were five appointments by the Board itself as a result of 'extraordinary vacancies' such as death or early retirement, thus ensuring the majority of new Board members were acceptable to the existing members. Until 1970, there was only a total of 12 existing

1. NZPD, Vol.205, 1924, p.517.

2. NZPD, Vol.225, 1929, p.942.

3. NZPD, Vol.205, 1924, p.787.

members voted off in 48 years, and many of the replacements which did take place were only temporary.

The electoral committee's function to consider the Board's annual report became more effective in early 1940s as delegates began to question the Board more thoroughly, and submit remits for its consideration. The Board however is not legally bound to accept remits as its policy. Nevertheless it does provide a two way means of communication between the committee and the Board:

The Board can gain an impression of farmers' reactions to issues and can gauge what the general climate of producer opinion is on its activities and the state of the industry as a whole. At the same time, delegates are able to elicit information from and clarification on questions put before the Board.¹

As the committee began to act as a more effective check, the Board was forced to take it more seriously. Board chairman at the time, John Ormond, noted that after the war the Board was required to liaise more with a number of producer organisations, including the electoral committee.² The Board began to hold special meetings with the committee. Thus in April 1944, a special conference of the electoral committee was convened for the purposes of discussing with the delegates several matters of importance to the meat industry.³ Similarly in 1945, a special committee conference was held to consider certain proposals for the reorganisation of the New Zealand Wool Council.⁴ Perhaps as a result of the number of special meetings being held, the Board decided in 1947 to hold twice yearly meetings of the electoral committee each covering three days; the first two at the March meeting devoted to the Meat Board, and the last day to the Wool Board with the reverse applying in August.

1. Herman (1974), op.cit. p.64.

2. NZMPB Annual Report and Statement of Accounts, 1945, p.3.

3. NZPMB Annual Report and Statement of Accounts, 1944, p.3.

4. NZPMB Annual Report and Statement of Accounts, 1945, p.3.

The Board also began to meet directly with producers. Board chairman in 1945, Gill Grigg, made a tour of most districts in the Dominion contacting farmers and reporting upon the activities of the Board, answering questions, and generally talking over any matters of interest to producers.¹ Thus at a time of both electoral committee and producer discontent with Board policy, the Board chose to communicate directly with farmers in addition to using the indirect electoral Committee system.

(ii) Changes Since 1970

The two subcommittees of 1969 and 1973 recommended a number of changes be made to the system of election and many of these have been incorporated into the Meat Board regulations. The 1969 subcommittee considered that the existing method of voting for Board representatives, where two vacancies were balloted at the same time could lead to undesirable results, with a preferred candidate not being elected, or alternatively a weaker candidate being voted to office as a result of attempts by some electors to give added weight to one of their two votes. The subcommittee recommended the regulations be amended so that where the committee elects one or more members for either of the two boards, the committee shall carry out separate ballots electing one producer representative at a time. The successful candidate for the first vacancy should not take part in balloting for the second vacancy with all balloting to be conducted on an elimination principle. This recommendation came into force in 1970.²

However support for this method of election is not unanimous. The main objection to the system of voting for one candidate at a time is

1. NZMPB Annual Report and Statement of Accounts, 1945, p.3.

2. Subcommittee of Electoral Committee, Report, 1970.

that voting forces tend to be split sometimes allowing a weaker candidate to come through, whereas in voting for two at a time, emphasis can be placed on who may contribute to more of a team effort, as well as allowing members or candidates to gauge their support. As past Electoral Committee delegate and Wool Board member, Robert Johnstone, said: 'It's the only electoral system where you have to run twice to get first equal'.¹

The regulations have also been changed so that no longer can the Board appoint a member in the case of an extraordinary vacancy. Now an extraordinary vacancy in the office of a producer's representative or in the case of the Wool Board, a director representing wool growers, may be filled at the next meeting of the electoral committee in the manner prescribed by regulations for the election of producers or wool growers' representatives.² This was a major step in limiting the potential for Board members to have members elected to the Board who agree with their views.

The 1969 subcommittee also considered a remit from the electoral committee which suggested that candidates for the Meat and Wool Boards be invited to present their credentials to electoral committee members prior to the annual meeting. It was argued that this would enable the committee to make some assessment of the candidate before he presents himself at the meeting at which the election takes place. The subcommittee agreed with this principle and recommended that:

...candidates for the Meat and Wool Boards be sent a questionnaire designed to give information on their suitability for office, such a questionnaire to be filled in and circulated to the committee members at least two weeks prior to the elections.³

This recommendation is now in place.

Partly as a result of these changes to the regulations, elections have tended to become more competitive since 1970. This was particularly

1. National Party Conference, 27-28 July 1984.

2. Amendment to Meat Board Regulations 1970, 1982/ 271, p.638.

3. Subcommittee of Electoral Committee Report, 1970.

evident during the wool debate, and for some years after that, although declining again thereafter in the late 1970s and early 1980s despite the controversial meat marketing debate in 1983. Since 1970 there have been no contested elections in five out of 15 years (33.3 percent), which is in fact higher than prior to 1970 (27 percent). Where elections were contested however, the number of nominations averaged 3.5 which is higher than prior to 1970. In addition there have been four incumbent members defeated since 1970 which is one every 3.2 years, slightly more frequent than prior 1970 when there was one every 4.1 years.¹

With regard to the committee's statutory function of considering the Board's annual reports, the subcommittees also considered a number of recommendations to improve the effectiveness of this function as a check on Board activities. The 1973 subcommittee considered whether the committee should have the right to reject the Board's annual report. It was decided that if necessary a 'motion of censure' of part or all of an annual report would give the committee sufficient authority.²

The 1973 subcommittee also considered the advantages of holding meetings of the committee in addition to the existing twice yearly statutory provisions. Recommendations from the submissions ranged from holding meetings twice yearly without any special meetings, to four times a year (two meetings to be without the Board) plus special meetings as required. The subcommittee finally recommended that the Electoral committee continue to meet twice a year and hold special meetings when required, such meetings to be called by the chairman of the Electoral Committee after consultation with the deputy and Board chairman concerned, or on the demand of at least 13 committee members. This allowed more

1. It could be said that in fact there were two more changes in Board membership over 1971-72 as although two vacancies were caused by retiring members standing down, in fact they felt compelled to stand down as a result of Board policy on wool acquisition.

2. Subcommittee of Electoral Committee, Report, 1974.

room for the delegates themselves to initiate a meeting but reduced minority influence.¹

Informally, delegates since 1970 have sought to gain more information independent of the Board. As a result they have been able to ask pertinent questions, leaving Board members lost for answers at times. An example of the committee taking its own initiative was at the beginning of the meat marketing debate in 1981 when it invited the Freezing Companies Association and the Meat Exporters Council to air their views at the committee meeting. Mr P Johnson (Deputy Chairman of the Meat Exporters Council) and Peter Blomfield (Executive Director of the Freezing Companies Association), presented papers and answered questions. Delegate G Shanks, suggested at the time that an address from the trade should become an annual event.²

There are some delegates who believe the committee should have its own secretariat to give it greater independence from the Board.³ The 1973 subcommittee decided there was insufficient support for such a move at that time, and it has not been considered since then. These improvements in the committee's effectiveness in checking the Board created problems. Although the Board has compulsory powers over farmers, it also has cooperative elements; thus it has been described as a 'compulsory cooperative'. The creation of the Board was requested by farmers and its continuation depends on majority producer support. Since 1970 the Board has relied more on producer support to legitimise its increasing powers over producers, meat processors and exporters as a result of its marketing functions.

The Electoral Committee may once have helped to secure producer support through its loyalty to the Board but since 1973 a number of

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1. Subcommittee of Electoral Committee, Report, 1974.
 2. Electoral Committee meeting minutes, March 1981.
 3. Interview with Aubrey Begg, op.cit.

committee members, particularly those associated with the Meat and Wool Action Committees, have actively sought to check the Board's activities and to communicate information to producers, independent of the Board.

As the Board's public relations officer, Barrie Saunders, commented:

the Board realised it was vulnerable and had to do something about it. We could not trust the committee as some members¹ produced information biased against the Board.

As a result the Board strengthened its direct link with farmers. Prior to 1982, the only formal direct links were the annual report and the Board's bi-monthly journal, "The New Zealand Meat Producer" which producers received by subscription. In 1982, the Board put greater emphasis on public relations, "The New Zealand Meat Producer" became a free journal for all meat producers and a meat bulletin containing confidential information was sent to farming leaders.

Even more significantly, the Board began a series of producer meetings around the country, which is now an annual event. These meetings as in 1945, appeared to be as much a promotion effort by the Board to justify its actions and mobilise farmer support, as to genuinely seek producer opinion. One electoral committee member described them as a 'supermarket presentation which merely confused farmers'.² This ties in with Schmitter's argument that interest groups are not merely passive recipients of already former members' interests, but may play an active role in identifying and forming those interests.

Far from seeking policy guidance from producers, chairman Adam Begg made it quite clear at a producer meeting in mid Canterbury that producer influence over the Board was limited to elections through which the Board's policy could be judged. The day to day decision-making however

1. Interview with Meat Board Public Relations Officer, Barrie Saunders, 23 May 1984.

2. Electoral Committee meeting, 14 August 1984.

was to be left to the Board:

We are a producer organisation, Mr Chairman as you are well aware, and our future is in the hands of you people. Whatever you decide to do in the long run by voting for Board members will determine what the long term future of the Board is. We are not unmindful of that but our first priority is to do whatever is in your best interests.¹

This attitude echoes the words of a past Board chairman during the 1960s, Sir John Ormond:

Board members like politicians everywhere must maintain their relations with their constituents, sometimes making hard decisions that may not prove to be popular but are best for the long term welfare of their industry. A Board member's job therefore is often an educating task informing and interpreting events in order to elicit the continuing support of farmers.²

Ironically the Meat Board's exercise of monopoly powers which made it politically more vulnerable, also proved to be an asset in curbing the committee's effectiveness. One of the main problems for the committee when the Board became more involved in marketing, was the degree of expertise needed to comprehend the complex marketing decisions made essentially by specialist Board staff with less input from producer representatives.³ Often Board members and staff implied that it was impossible for the committee to understand some of the marketing decisions made by the Board. As Adam Begg said at one committee meeting: 'Most people don't know what we are talking about'.⁴

Secondly the Board argued that as it functioned more as a commercial company than a political organisation, decisions must be made on

1. Meat Board public meeting with producers in mid Canterbury, 30 April 1984.

2. Sir John Ormond, "Self Help in an Export Industry; the Case of New Zealand", Columbia Journal of World Business, 4;8 1-4 October 1969, p.82.

3. The conflict between the relative influence of commercial staff and producer representation in decision-making, particularly while the Board was commercially active, is an important aspect which has not been fully examined here. It could be argued that as 'expert staff' have had greater input into commercial decisions, this has reduced the representative nature of the Board.

4. Electoral Committee meeting, 14 August 1984.

commercial rather than philosophical or political grounds and it should not be subject to as much producer scrutiny. Barrie Saunders made it clear that the Board was subjected to far more scrutiny from shareholders ie producers than any normal commercial enterprise.¹ The commercial secrecy of many of the Board's activities was one of the main obstacles to the committee's continued effectiveness.

As a result, although the committee has become a more effective political check on the Board, the Board has still been able to assert its authority. At three successive special committee meetings called by the Board in November 1980, November 1983 and October 1985 to explain major policy decisions regarding meat marketing, the committee criticised the Board for holding the meeting to inform them of a fait accompli instead of consulting the committee before the decision was made.

The Board has also had added weight in its attempt to curb the committee's effectiveness through government backing. The 1972-75 Labour government was clearly not in favour of the committee's developments. It was for this reason that changes recommended by the 1973 subcommittee regarding amendments to regulations were not passed to government for consideration, for fear that if the regulations were amended in any way, the Labour government might bring in sweeping changes detrimental to the existence of both the electoral committee and the Board.²

In 1984 Moyle warned the committee against going beyond its statutory function and adopting a master-servant relationship in trying to make the boards answerable to it:

I think I sounded a fair warning that the Electoral Committee is an electoral committee and that is its job, to elect the Meat and Wool Boards. Beyond that I honestly don't think it has a useful function.³

1. Interview with Barrie Saunders, op.cit.

2. Peacocke, op.cit. p.11.

3. "Rural Report", 15 August 1984.

Outwardly, Moyle's motivation for these statements appeared to be for producers' interests, which he claims could be better served by a direct electoral representative system. This would provide producers with a more effective means of holding the Board accountable than the electoral committee which is influenced by minorities.¹ However from a corporatist viewpoint it would seem that the Labour government's real motivation for warning the electoral committee against becoming too effective as a check on the Board is that it does not want the Board to be subject to too much producer scrutiny when the government is attempting to reduce the degree of producer control in the industry. In this light Moyle views the committee's attempts to improve its effectiveness not as progressive, rather as 'vested interests or ultra conservative elements which frustrate the necessary reforms in the meat and wool industries'.² Thus Moyle indicated he would not impose an alternative electoral system, claiming it was up to producers to devise a suitable system. The warning had been intended to subdue the minority on the committee to act in a more traditional manner.³ Nevertheless, it would seem that although there have been attempts to make the electoral committee more effective, farmers could achieve these aims more effectively through directly electing the Board themselves.

4. The Alternative Direct Electoral System

There has been pressure for change from the indirect electoral Committee system of accountability to a system of direct election such as a ward or regional system as is used in the dairy industry. This argument has been propounded from a number of different sources for a wide variety

1. "Rural Report", 15 August 1984.

2. Ibid.

3. "Electing Producer Representatives", op.cit. p.6.

of reasons. Proponents of the direct system of election include on one hand those who see the committee as simply an 'old boys' network' perpetuating the status quo, and on the other hand those who see the committee becoming too powerful.

The Meat Board is not in favour of direct election and this is to be expected from a corporate interest group. Board publicity officer, Barrie Saunders, reiterated the arguments of the first Board chairman in 1922 that members would increasingly campaign for producer votes under a direct election procedure. Not only would that mean a less than national approach to decision-making, but with the Board's increasing commercial functions it would result in commercial decisions being dominated by political pressure.¹ From this aspect it is clear the Board wanted as little producer participation as possible.

Another argument specifically against the direct ward or regional system is that the quality of candidates may be reduced as:

...the requirements for regional representation would restrict choice and prevent well qualified people from outside the area offering themselves, consequently the quality could diminish and regional lobbying combined with group voting could result in unsuitable candidates being elected to the Boards.²

Yet is it also true that there are some areas which have not had any representation for a number of years.

In theory at least a direct electoral system would give farmers greater influence over both Board election and policy. As one current committee member, Bruce Jans, said:

The Electoral Committee prevents the involvement of the most effective people - the farmers. A form of direct voting would not only put Board members under the spotlight but would make farmers start to think more about their options.³

1. Interview with Barrie Saunders, op.cit.

2. Peacocke, op.cit. p.22.

3. "Electing Producer Representatives", op.cit. p.6.

The success of this more direct system however is dependent on producers receiving adequate information. The whole communication network has changed radically in the last decade and farmers are now more informed than ever before. The flood of journals, papers and a higher level of education among farmers is a more than sufficient basis to provide them with adequate knowledge to vote for members and to follow Board decisions. As Bruce Jans commented: 'Most of what the Electoral Committee heard in Wellington was already reported in the media'.¹

In addition the Meat and Wool Section of Federated Farmers is potentially capable of performing a similar function to the committee in providing farmers with information. There is an overlap of membership between the two bodies at present and the Board is invited to two Meat and Wool Council meetings each year to answer questions. In many cases the electoral committee relies on the council's meeting structure at provincial and local levels to communicate with farmers. Nevertheless, the council as an intermediary body between the Board and producer can also be seen to some extent as part of the 'old boys' network' and a training ground for future Board members and therefore may be more inclined to show loyalty to the Board rather than criticise it.

Obviously another factor to consider is producer opinion of the two voting systems. If producers are more enthusiastic about direct election they may be more likely to participate and therefore enhance the effectiveness of the system. Two national surveys of farmer preferences for an electoral system, conducted by Research Fellow with the Agricultural Economics Research Unit at Lincoln College, John Pryde, show majority support for the direct electoral system. The first of these studies was conducted in 1978 and showed 64 percent of farmers were in favour of direct election. As a result of some criticism of bias in the wording of the question favouring direct election, Pryde conducted a further modified

1. "Electing Producer Representatives", op.cit. p.6.

survey in 1982.¹ The results showed that 61.2 percent of farmers preferred to have a ward system. Perhaps more significantly, the younger the farmer, the more likely that he would support the ward system. Figures showed that 64.2 percent of farmers under 35, 61.2 percent between 36 and 50 years, 63.5 percent between 51 and 60, and 49.7 percent of those over 60 supported direct election.² John Pryde argues that 'it is the opinions of the younger farmers we should be listening to'.³

5. Summary

The indirect electoral committee system was clearly not intended to allow producers effectively to hold the Board to account for its actions. This allowed the Board at times to make decisions which compromised producer interests. However the emergence in 1970 of a number of committee members determined to increase the representative and democratic elements of the committee also to a lesser extent, required the Board to be more accountable to producers.

Nevertheless the Board has managed to keep the upper hand curbing the growing effectiveness of the committee through withholding information

1. The initial wording was:

In the election of producer representatives for the Meat and Wool boards would you personally prefer to

- a) be able to exercise your own direct vote for selecting your representatives for those boards, or
 - b) continue with the present indirect system (started 1922) of passing this job over to an electoral committee in Wellington to do it for you?
- (J Pryde, Survey of New Zealand Farmer Intentions, Expectations and Opinions - June - August, 1978, Lincoln College Agricultural Economics Research Unit, 1978, p.56.) (Research Report 96)

The modified question read:

The members of the Meat and Wool boards are at present elected by the Electoral Committee of 25 members. Which of the following options would you prefer?

1. New Zealand divided into wards, each Meat and Wool farmer having a direct postal vote to decide the Board's member for his or her ward;
2. A continuation of the present system?

(John Pryde, and P J McCartin, Farmer Intentions and Opinions Oct-Dec, 1982, Lincoln College, Agricultural Economics Research Unit, 1983, p.290. (Research Report, No.136)

2. Ibid, p.228.

3. Interview with John Pryde, op.cit.

which is 'commercially sensitive', and obtaining government backing in this objective.

It appears that while the committee itself has made attempts to become more effective (many of which have been successful), it is limited by its indirect structure which does not encourage the Board to be either representative or democratic. Under these circumstances it would seem that a system of direct election of Board members would achieve more simply and effectively the reforms which have been, and are continuing to be, made to the electoral committee system.

Direct election however conflicts with corporatism, and as long as the Meat Board remains as a corporate interest group it is unlikely that this will replace the electoral committee system of election. Equally, with the imminent breakdown of the Board's corporate status in favour of a broader industry oriented Board or organisation, producers may no longer be entitled to a majority of representatives, and therefore the debate between direct election and the electoral committee system will be less relevant.

CHAPTER V

CONCLUSION

In this thesis, an attempt has been made to determine the extent to which the Meat Board's decision-making process has taken account of producers' interests, from its inception in 1922 to 1985. Producers have long held the view that the Board unquestionably ensures their control of the meat industry. For some producers and others however, questions were raised when the Board chose to exercise its monopoly marketing powers in 1982; in particular the degree to which the Board was both politically, and equally importantly, commercially accountable to farmers, industry and the public.

Much of the existing research in this area has focussed on the existing means for formal accountability through the electoral college, and possible improvements. However it appeared that an analysis of this formal level of accountability was inadequate, as there were greater underlying forces affecting the Board's ability to take account of producers' interests. It has therefore been the intention of this thesis to determine the most comprehensive explanation of the degree to which the Board has been accountable to farmers.

One possible explanation partially explored in this thesis, is outlined by organisational theorists Moe, Michels, and Olsen. Organisational theory claims that the primary motivation of all organisations is to maintain their existence, not necessarily to represent the interests of their members, nor to be accountable to them. Developing these ideas further, a more comprehensive possible explanation of factors affecting the way the Board has sought to maintain its existence and the implications for its accountability to producers is offered by the theory of corporatism. This theory explains the way in which a certain corporate interest group is favoured by government and how this in turn affects its relationship with other interest groups, and its own members.

This theory states that the corporate interest group has a favoured relationship with government, but in return government retains the right to impose conditions on such factors as selection of membership and policy. As a result, this corporate interest group is often required to coordinate the interests of various groups within the same sector. This in turn affects its accountability to members as their interests are often compromised with the interests of other groups. Assuming the Board could be identified as a corporate interest group, this theory provided a possible explanation of the way in which the inter-relationship between government, the Meat Board and other interest groups in the meat industry may have influenced the Board's accountability to producers.

Applying this theory to the Meat Board, it has been argued in this thesis that government established the Meat Board in 1922 as a corporate interest group, favouring it with statutory powers to regulate the whole of the meat industry, particularly meat companies which were viewed suspiciously by farmers. While initially these powers were free of direct government influence (with the exception of World War II), this changed as the political importance of producers declined relative to other sectors. Governments became increasingly reluctant to give producers unconditional favoured treatment. Although the Board remained the central institution in the industry, it was required to adopt the role of a semi-governmental body adjudicating between the various interests in the industry, including meat companies, before formulating policy on behalf of the industry.

While the Board maintained it was still primarily accountable to farmers, it did admit that increasingly it was required to take greater account of the 'national interest', particularly as it became more commercially active. In practice however, it could be argued that the Board took less formal account of the 'national interest' than of those other more politically influential interests in the meat industry, such

as vertically integrated meat companies. The Board's decision-making process then resembled that of a selected industry board in practice, despite the fact that formally it appeared very much a producer dominated board with very few governmentally imposed constraints on its membership or policy. This increasingly resulted in a compromise of producer interests. Past chairman of Federated Farmers Meat and Wool Section, Tim Plummer, recognised the increasing dilemma of all producer boards:

They (producer boards) are there to oversee their respective industries, and they must be in a position to react, adjudicate on¹ the political processes which confront them...

In this light he advised producers to question their actions:

We have the right to question their actions...Farmers, not producer boards must maintain control of the meat and wool industries. Our role is to ensure that farmers' concerns are being listened to - to promote and gain action on trends, requirements and needs of the farmer.²

The subtle informal pressure on the Board to take account of industry interests was formalised to some extent with the establishment of the Meat Industry Council (MIC) in 1983. This council incorporated a wide industry membership and received proposed legislative powers to formulate long term industry plans in association with the Board, and to monitor the performance of the Board and industry. While the MIC was not intended to usurp the Board's status as the central authority in the industry, it did imply less autonomy for the Board. The other major formal change suggested at that time was the need for governmental appointees to have greater commercial expertise, to allow them to more effectively check the Board's commercial performance.

The advent of the Labour government in 1984 further increased the formal and informal constraints on the Board. Formally the Board was required to widen its membership base through the addition of a trade

1. Victoria Smith, "Board Roasts Meat Exporters", Straight Furrow, 8 July 1983, p.16.

2. Ibid, p.16.

union representative. More significantly, the Labour government made it clear that it denounced the corporatist principle of one interest group receiving more favoured treatment from government than another, singling out the Board's monopoly marketing powers as an example. While it has not yet formally removed the Board's monopoly powers, recent events have indicated the Board is powerless to exercise them in practice. In addition, the government has indicated that the section of legislation providing the Board with such wide powers is to be scrutinised, with the likely view of deleting it.

These developments suggest the corporatist trend in the meat industry is breaking down. As Schmitter noted, one of the conditions necessary for corporatism is the willingness of government to place responsibility for industry decisions in the hands of a corporate interest group. If instead, a government wishes to retain greater responsibility for setting guidelines for the industry, as Labour clearly does, corporatism can no longer exist.¹

The outcome of this breakdown in the Meat Board's corporate status and government's desire to direct the development of the meat industry, has serious implications for the Board's accountability to producers. Where similar developments have taken place in other countries such as the UK, the primary role of the boards has become one of providing a link between farmers and government, rather than providing a means for producers to control their industries.² In particular they came to be a vehicle for the administration of the government's guaranteed price policy. It appears then that as a representative institution, the Meat Board is likely to become even less politically accountable to farmers, and increasingly accountable to government and the industry.

1. See chapter 1, p.17.

2. J.M. Currie and A. Rayner, "The British Experience", S. Hoos (ed), Agricultural Marketing Boards: An International Perspective, Cambridge, Ballinger Publishing Company, 1979, p.30.

However the government's request that the Board's marketing operation be run on a competitive basis with other companies, should provide a clearer means of commercial accountability to farmers, government and industry. It has been suggested that the Board should join with other major coöperatives to form a strong national cooperative processing and marketing chain, however this also raises the question of whether the existing voluntary cooperatives could not achieve the same goals without the Board's involvement. More fundamentally, it raises the question of whether the Board can justify requiring compulsory membership and financial contribution from farmers under the changed circumstances.

1. International and Domestic Comparisons

The breakdown of the Meat Board's corporatist favoured relationship with government and the associated increase in direct governmental control follows a common trend for most producer or marketing boards worldwide. Authors Currie and Hoos state that while marketing boards were powerful in the interwar years, since World War II, the idea that producers should be masters of their own market has had considerably less appeal to governments. More recently, marketing boards have been established as a mechanism for implementing government policy eg Israel, and West Africa. Even in those countries where boards were established in the 1920s and 30s, there have been more or less subtle changes in their autonomy.¹

Until 1983 however, the Meat Board was unique in that any lessening of the Meat Board's autonomy was very subtle, being of an informal, rather than formal nature. There were very few formal government controls on membership or policy. The Board has consisted almost entirely of producers with the exception of two government representatives, traditionally from

1. J.M. Currie with Sidney Hoos, "Marketing Boards: A Comparative Summary", in Hoos (ed), op.cit. pp.289-290.

farming backgrounds and reluctant to challenge producer views. There have been no representatives from the meat trade, with the exception of 1922 - 1957, when stock and station agents had one representative. Furthermore the Board's formal powers to regulate the industry were increased.

By contrast, in the UK, those marketing boards which were formed at the same time as the Meat Board in New Zealand had their powers curtailed as early as 1949. This was encouraged by a number of public commissions including the Lucas report which warned of possible dangers of 'monopolies' and of the undesirability of compulsion.¹ As a result, the Marketing Act 1949, required a wider membership for the boards, including processors, marketers, and consumer representatives, though producer representatives still held a monopoly.² In addition the government officials were appointed rather than co-opted and they were entitled to make up a fifth of the total membership. In order to ensure these government officials were able to effectively check the Board's activities they were required to:

...have had experience and demonstrated capacity in commerce and finance, administration, public affairs or organisation of workers, or have been specially conversant with the interests of consumers of the regulated product.³

Marketing boards also became subject to greater governmental policy directives. The Marketing Act specifies that if acts or omissions of a board have certain consequences, and those consequences are contrary to the public interest, the minister may issue an appropriate direction to

1. D I Bateman, "Agricultural Marketing: A Review of the Literature of Marketing Theory and of Selected Applications", Journal of Agricultural Economics, Vol.27, No.2, 1976, p.212.

2. It should be noted that unlike New Zealand, marketing boards in the UK are confined to domestic supplies, therefore more directly affect consumers.

3. Currie and Rayner, "The British Experience", op.cit. p.34.

the board.¹ Boards became increasingly out of favour with government, whose control over the establishment, amendment, and removal of marketing schemes increased. In 1954, the UK government refused to grant producers' request for a meat board, choosing instead to set up the Meat and Livestock Commission which had the advantage of being an independent and publicly accountable agency.²

By comparison, until the 1970s, the Australian Commonwealth marketing boards were not subjected to the same government constraints as the UK marketing boards. However their membership while dominated by producer representatives, also included, where appropriate, processor and exporter representatives, employees and additional appointees with commercial and financial expertise. The Australian Meat Board was established in the mid 1930s, and had a membership of six producer representatives, two meat exporter representatives, one Commonwealth government official and an independent chairman. The Board had the power to purchase and sell meat but normally did not trade itself, and instead regulated overseas marketing by means of an export licensing system.³

During the 1970s however, a number of reforms were made to the market legislation which placed greater controls on Board membership and policy. Firstly the number and proportion of producer representatives were reduced and they were appointed by government rather than elected by producers. Secondly, the marketing expertise was increased by the appointment of industry representatives with financial managerial expertise. Thirdly, provision was made for intervention in the Board's affairs by the Minister for Primary Industry. Finally, the boards were given extended trading

1. Phillip Giddings, Marketing Boards & Ministers, Farnborough, Hants, Saxon House, 1974, p.16.

2. D. Bateman, op.cit. p.212.

3. Keith O Campbell, Agricultural Marketing and Prices, Cheshire, Longman Cheshire Printing Ltd, 1973, p.117.

powers.¹ In line with these changes the Australian Meat Board became the Australian Meat and Livestock Corporation, comprising a chairman, four producer representatives, one exporter, one government representative and two with special qualifications.

Compared with the New Zealand Dairy and Wool Boards, the Meat Board retained greater formal powers and autonomy from government. The Dairy Board was formally subject to government directives and similarly the Wool Board has had government intervention in its affairs at times. The formal membership of boards and authorities such as the Kiwifruit Authority in the late 1970s also contrasted significantly with the Meat Board, comprising greater commercial expertise, and allowing a greater degree of competition in the industry. The Kiwifruit Authority has a membership of five producer representatives, two exporter representatives, and one government official. Regarding its policy, one industry commentator noted:

It has been able to establish a very effective institutional structure involving coordination and cooperation among participants while retaining a strong element of competition and regard for innovation and market dynamism.²

Since 1983 however, the Meat Board has been subject to greater government controls corresponding to earlier developments in other countries. These controls include a significant restriction on the Board's ability to exercise its regulatory powers. This corresponds to similar restrictions on the powers of the Wheat Board and Milk Board, as government has de-regulated marketing in these industries to some extent.

1. Keith O Campbell, "Recent Changes in the Constitution and Powers of the Australian Marketing Boards", (Agricultural Administration 6; 187-197, 1979), in D Fowler et al, An Examination of Alternative Marketing Structures: A Literature Search, Lincoln College, Agricultural Economics Research Unit, Nov. 1984, pp.14-15. (Discussion Paper, 98)

2. Rowland Woods, "The Prospects for New Zealand Agriculture in a Changing World", 26 Sept. 1984. (Address to Wellington Branch of Institute of International Affairs)

This parallels similar trends towards de-regulation in the UK, whilst contrasting with the most recent developments in Australia, where corporations, including the Meat and Livestock Corporation have been given greater powers to regulate and intervene in the marketplace.¹

2. Future Structure for the Meat Industry?

In order to anticipate the future structure of the meat industry it is useful to draw on the overseas literature which proposes a number of alternative structures for industries which have previously been dominated by producer or marketing boards. Each of these alternatives and their possible applications to the meat industry will be examined.

A substantial proportion of the literature suggests what while producer boards with monopoly powers may no longer be perceived as an ideal structure for agricultural industries, there is still a need for some form of direct or indirect centralised coordination of individual interests as opposed to complete decentralisation of decision-making.² Working from this assumption, there are three possible structures commonly found in the literature.

Firstly, the current producer marketing boards may provide the basis for a new 'societal' board. This concept originated with the prominent marketing board theorists, Izraeli and Zif, who claim the marketing board is part of an evolutionary process which began with the voluntary cooperative and led onto the compulsory cooperative; (the producer board) and now there is pressure around the world for the development of a 'societal' marketing board. This board would have a

1. "Plans to Recarve the Meat Marketing Structure", Financial Review, Thursday 7 July 1983, pp.12-13.

2. See Currie and Hoos, op.cit. and T.K.Warley (ed), Agricultural Producers and Their Markets, New York, Augustus Kelley, 1967.

more equal representation of processors, handlers, and to a lesser extent consumers. It would be established by legislation and would have the major advantage of institutionalising coordination among sectors by making cooperation compulsory with regard to certain functions, while still allowing for vertical and horizontal competition. Izraeli and Zif argue it would make an important contribution towards mitigating the tension between pressure for coordination and efficiencies in the complex marketing system on one hand, and the wish to preserve significant economic freedom, free enterprise and competition on the other.

The main functions of the Board would include general policy issues and overall resource allocation. It would define the domain of action for the industry and initiate structures to enable achievements of policy goals. One of the goals would be to generate resources and 'increase the pie' for the benefit of all. It would encourage efficiency at the macro-level through coordination and economies of scale; generating and promoting resources as well as providing benefits greater than those available to an individual sector.¹

One of the major features of societal boards is that while government would be represented on the Board to protect and promote the public interest, it would not otherwise directly initiate activities. Rather it would transfer power and responsibility to sectors to coordinate their activities in response to the needs of the diverse groups in the industry concerned. The societal board is seen as an alternative to both direct government administration and private monopoly.

The possible application of this concept to the meat industry has received some support. As was noted earlier, former National cabinet

1. D. Izraeli and J. Zif, Societal Marketing Boards, New York, John Wiley and Sons, 1977, pp.12-13.

minister, Derek Quigley, supported the concept of a more representative group to deal with the interests of the entire meat industry:

Obviously farmers have to be represented because they are a major group, but more people who can concentrate on marketing are needed.¹

As another producer/journalist noted:

We need a new membership for the Board - no longer can we producers claim we alone are responsible for producing a lamb, not when you come to consider the vast amount of government money poured into our industry, and it must appear extraordinarily condescending on our part not to include those who process our product, transport, and sometimes market them - we need a third each cookies, processors and marketers.²

Another structure which departs from the concept of a marketing board is an independent industry body to promote marketing reform and development of the industry as a whole. This structure has had increasing support in the UK, where authorities and commissions representing a wide range of interests and exercising general supervision over marketing is preferred to the traditional producer controlled marketing boards. In some instances the marketing boards have remained in addition to these authorities and commissions, but with significantly reduced powers. These bodies perform general functions which may include providing market information, grading sales promotion, and possible rationalisation and market intervention.³

The New Zealand Meat Industry Council (MIC) set up on the recommendation of a meat industry task force in 1983, is a comparable structure. Initially however, it was not envisaged by industry or government that the council would replace the Meat Board as the central industry institution, but rather that it would assist with planning and monitoring for the industry. Since Labour has been in power however, the MIC's

1. New Zealand Parliamentary Debates (NZPD), Vol.450, 1983, p.456.

2. "Norwester", New Zealand Farmer, 14 July 1983, p.78.

3. D.J. Bateman, op.cit. p.211.

powers have increased in relation to the Board. The MIC was given the responsibility of facilitating sheepmeats marketing reform, which clearly included determining the future structure and functions of the Board. From these developments it is reasonable to envisage the MIC's powers may increase even further in relation to the Board, to the extent of replacing the Board as the central institution in the industry. This possibility was expressed by one electoral committee member who was concerned about the resulting loss of producer control:

The government may consider they could dispense with one of the controlling organisations which could be the Board, and this would leave the MIC.¹

However the degree to which the council itself has been directed by the government suggests it is unlikely to remain as an industry-wide authority semi-independent of government control. Initially the Labour government outlined policy guidelines for the council, but gave it some flexibility to interpret this policy. However the government further eroded the council's autonomy by rejecting its proposed marketing structure for the Gulf and Mediterranean, claiming it was not sufficiently in line with the government's overall policy objectives for the industry.² Not only did that remove some of the credibility of the council as a semi-independent organisation, but it also suggested this government is unwilling to allow the various industry sectors to formulate their own compromise plan for the industry. Rather it intends to be involved in coordinating these interests.

This attitude has the support of at least two agricultural industry commentators. It has been argued that any industry organisation with representatives from all sectors of the industry, eg producers, processors,

1. Notes of Meat Board Annual Meeting with Electoral Committee, 20-21 March 1984.

2. See chapter three for more detail, pp.84-85.

marketers, trade unions and consumers will only act when the interests of all these are in harmony, and this is likely to be a rare occurrence.¹ The Australian Meat and Livestock Corporation experienced this difficulty. With a wide industry membership it was virtually powerless to act, unable to reach a consensus between the various interests for major marketing decisions. As a result, the Australian government has recently proposed the setting up of a meat and livestock industry selection committee to appoint members to the corporation on a more commercial basis, and to restrict its functions to commercial activities. Wider policy issues are to be determined by an Australian meat and livestock industry policy council.²

Dr (now Professor) Zwart of Lincoln College has also argued that where a decision-making body has a wide representative membership, any decisions which are made are likely to be compromises which tend to protect those bodies represented at the cost of those not represented. This then becomes management or marketing by committees which often leads to poor decision-making and is not in the nation's long term interest. Zwart claims such bodies are really only useful as a forum for discussion, outlining the most general policy and settling grievances or other technical functions.³ Rather than allow an industry council or committee to plan for the industry, Zwart maintains government should set clear guidelines for the direction of the industry. In the case of the meat industry this should include outlining the roles of slaughtering companies, meat exporting companies and the Meat Board.⁴

1. Bateman, op.cit. p.211.

2. "Plans to Recarve the Meat Marketing Structure", op.cit. pp.12-13.

3. Dr A.C. Zwart, "An Analysis and Suggested Modifications to the Meat Industry Task Force Report", Lincoln College, Department of Agricultural Economics and Marketing, 1983. (Paper)

4. Dr A.C. Zwart, Marketing Institutions for New Zealand Sheepmeats, Lincoln College, Agricultural Economics Research Unit, September 1983, p.20. (Discussion Paper No.71)

Similarly Derek Quigley claimed that government should set down long term goals for the industry through its economic policies, particularly export strategies. Having set these guidelines however, government's brief should be limited to:

...encouraging cooperation, removing constraints which limit the ability of various parties from performing to optimum capacity, to see that the appropriate information is disseminated, and to ensure that export standards are being maintained.¹

In the light of these arguments, a third possible structure, is an ad hoc body created by government to provide a framework for the coordination of interests across a range of sectors. This structure would contrast with previous industry organisations in that it implies a greater initial input from government in determining the structure and function of the organisation, but does not imply government intervention in the activities of the body once it is established. The UK government recently formed such a body: the Food From Britain organisation. This 'super council' coordinates and promotes all kinds of British food at home and abroad. It exists over and above the various industry commissions and marketing boards. It has the widest possible powers and minimum interference from government. Its membership includes eight farmers or growers, a food manufacturer, a supermarket chief, a drinks manufacturer, a confectioner, a restaurateur and cooking writer, and an advertising executive.²

Similar organisations have been set up in New Zealand under the current Labour government: a Market Development Board and a New Zealand Food and Beverage Council. These organisations provide a way for government to cooperate with individual exporters; to promote, finance and assist the coordination of different sectors. As the Minister of Overseas Trade Mike Moore said:

1. "The Quigley Marketplace Formula: Government Sets the Guidelines and Steps Back", National Business Review, 22 August 1983, p.36.

2. S.Kay, "At Last the Supercouncil", Farmers Weekly (1982), 96 (24), pp.44-45.

A cooperative approach among export companies and government will enable large numbers of difficult markets to be cracked, where a single company's resources would be insufficient.¹

The Market Development Board Act 1986, provides for 14 members; 11 to be appointed by the Minister of Overseas Trade from producer boards, manufacturers and tourism, as well as the Secretary of Trade and Industry, Director General of Agriculture and Fisheries and Secretary of Foreign Affairs (see appendix 3). Its functions are to be both advisory and executive. While not a government department, it is clear that the Board is to be influenced by government:

In the performance and exercise of its functions and powers under this Act, the Board shall give effect to the policy of government in relation to those functions and powers as communicated to it from time to time by notice in writing by the Minister.²

Agricultural trade and marketing consultant, Rowland Woods, predicts the Market Development Board will have a significant role to play in the supervision of the meat industry. It could provide a framework for the separate sectors in the industry, to ensure quality control, and that the industry observes the statutory requirements of other countries. In addition, the Board should coordinate, rather than control commercial activities, measure certain resources and their availability to each sector, assist each sector with long term planning and market development and provide a general source of information.³

3. Future of the Meat Board?

Although it appears certain that marketing boards will be superseded as the central institution in agricultural industries by some alternative structure, it is not clear that in the short term at least,

1. The Press, Monday 13 August 1984, p.4.

2. The Market Development Board Act 1986.

3. Interview with Rowland Woods, November 1984.

marketing boards will be abolished, though their powers will be significantly reduced. Pressure for producer boards to be dismantled is likely to come from government, and more importantly, producers themselves.

It is generally observed that once marketing boards have been established, governments are reluctant to remove them without producer support, though clearly they can put pressure on producers to change their attitudes toward them, including the removal of favoured financial backing. Sieper notes that in Australia, while there has been questioning of marketing boards along with a majority of quangos, it is unlikely any moves will be made to abolish boards, unless producers request it:

Some attempts to reform, rather than moves to abolish any of these institutions is the most that can be expected in this part of the world. In the field of statutory marketing, any assaults on their citadels will have to come from within.¹

Similarly in New Zealand, although recent moves by the Labour government to significantly reduce the Meat Board's powers marks a departure from the previous National government's formal favoured treatment of boards, it is unlikely that this government will abolish the Meat Board, at least in the short term. As a senior Treasury official, Tom Berthold, said:

It is unlikely that the government would act to make major changes to the structure of any of our primary sector industries against the will of the producers in those industries.²

Nevertheless politicians and government officials have clearly encouraged producers to exercise their own bargaining power either individually or collectively through voluntary cooperatives rather than compulsory statutory organisations.

1. E. Sieper, "Statutory Marketing in Agriculture: Some Uses and Abuses", Australia, Australian National University, 1983. (Paper for AGPOC Conference Wellington, 22-26 August 1983)

2. C. Bartley, "Vertical Integration Needed in Agricultural Industry", Straight Furrow, 4 December 1985, p.9.

Berthold claims producers will eventually react against statutory boards as they become aware there is a lack of accountability of such organisations arising firstly from the fact that neither the provision of management for these organisations, nor the services they provide are contestable, so there is no key assurance of performance. Secondly, different market situations will require different balances between agency monitoring and transaction costs. The existence of a single solution will be suboptimal, because by definition, it cannot provide the range of solutions required. Berthold predicts that an increasing agribusiness approach in agriculture will mark a turn away from the assumption that individual growers or farmers are too small to deal with their product outside the orchard or farm gate, and so statutory control is needed.¹

Minister of Overseas Trade, Mike Moore, has emphasised the future importance of cooperatives, particularly for the meat industry:

Producer cooperatives will play an even more enhanced role in the future. They too will be encouraged to adopt a more aggressive marketing approach to their trade.²

Moore has promoted the concept of one strong meat processing and marketing cooperative operating nationally to compete with the private companies.³ This could incorporate the Board's marketing arm which is to have none of the commercial advantages associated with the Board's formal marketing powers. It is argued a national cooperative would allow integration and larger economies of scale, thus advancing the market share of producers. However a national cooperative would also have the disadvantages of reducing competition and reducing the degree of producer participation which exists in smaller cooperatives.⁴

1. C. Bartley, "Vertical Integration Needed in Agricultural Industry", Straight Furrow, 4 December 1985, p.9.

2. The Press, Monday 13 August 1984, p.4.

3. Sarah Morton, "Moore Wants Meat to Return to Private Enterprise", Straight Furrow, 18 September 1985, p.14.

4. D.E. Fowler et al, An Examination of Alternative Marketing Structures: A Literature Search, op.cit. p.58.

Given that the responsibility for change rests largely with producers in the various industries, evidence suggests that producers worldwide are beginning to question the ability of primarily political bodies such as compulsory producer boards to further their economic interests. Instead, they are beginning to place greater emphasis on voluntary cooperatives and marketing groups.¹

Campbell notes that producers and others increasingly appear to regard the exercise of political power and the exercise of bargaining power through grower-controlled institutions as alternative means of accomplishing economic objectives. In the USA, farmers instead of using the political processes to influence politicians to give them the sort of price supports, stabilisation measures or marketing reforms desired, have begun to consider the possibility of accomplishing these goals through collective marketing machinery under their own control. This is the result of increasing dissatisfaction with what has been achieved through direct administrative

1. Warley distinguished between traditional voluntary cooperatives and marketing groups. Marketing groups, while legally cooperative, have a more strictly commercial orientation, and unlike voluntary cooperatives, they make no effort to 'render a service' to any producer regardless of size, technical competence, financial status or amenability to market discipline. Rather they commonly practise selective membership, insist on an appropriate capital contribution and use vigorous trading agreements between the members and the organisation. Essentially they are groups of like minded, progressive (and possibly socially and economically homogeneous) producers, who appreciate that self-help in marketing improvement entails the acceptance of a degree of marketing discipline far more stringent than practised in traditional cooperatives, and combine together to market their products collectively. In a word their purpose is to create market power by being efficient producers and large scale sellers of products with the attributes of quality, volume and continuity which handlers, processors and distributors increasingly require. (T. K. Warley, "A Synoptic View of Agricultural Marketing Organizations in the UK", in T. K. Warley (ed), *Agricultural Producers and Their Markets*, op.cit. p.333.)

pricing.¹ The personal involvement in economic decision-making helps to overcome their feeling of frustration and alienation. Farmers have placed greater emphasis on farmer bargaining power as a result of the well founded realization of the diminishing electoral power of agriculture and the greater urban and consumer orientation of legislatures: 'Farmers, it is said, wish to develop market power of their own, less vulnerable to political fortune'.²

In addition, Campbell claims some of the producer disenchantment with marketing boards worldwide, stems not so much from dissatisfaction with the results of or prospect of, political intervention, as from a questioning of whether state-wide, or country-wide marketing boards are likely to be satisfactory given the structural changes which are currently going on in agricultural markets:

Not only are large and efficient producers making their appearance, but there is increasing concentration in wholesale, processing and retailing sectors. There is a rising volume of specification buying and evidence of concerted efforts to integrate production and marketing functions by contractual arrangements. Larger, more commercially oriented producers operating individually, or in concert with other like minded people in voluntary marketing associations have demonstrated to their own satisfaction that there are premiums to be achieved by direct decentralised negotiation with marketing firms. They claim that statutory boards through their lack of flexibility and their commitment to treat all producers alike can stand in the way of improvements in marketing which could be to the community's advantage.³

1. There are no marketing boards in the USA, but there are marketing orders which have similar objectives. A marketing order is a regulatory program issued by the US Federal Secretary of Agriculture at the request of growers which legally obligates all commodity producers and handlers to abide by order terms. These typically involve commodity quantity and quality and packing standards and conduct of research and market development projects. Marketing orders are administered by a nominated committee of unsalaried grower and handler representatives who recommend regulatory policy to the Secretary of Agriculture. The main difference between marketing boards and marketing orders is that while a board can have considerable executive powers, a marketing order functions as an advisory committee only; regulations are issued by the Secretary of Agriculture. (See Fowler et al, "An Examination of Alternative Marketing Structures..." op.cit. p.57.)

2. Keith Campbell, "The State Marketing Board - Relic or Prototype?" Australian Journal of Agricultural Economics, Vol.17, No.3, December 1973, pp.186-187.

3. Ibid, pp.187-188.

Nevertheless while this change in attitude is becoming increasingly evident in the UK and USA, Campbell notes that Australian farmers generally are more cautious regarding change, with a majority still supporting the retention of marketing boards.

Grassroots farmer reaction to the New Zealand Meat Board does appear to be changing slowly, although the official political lobby group, the Meat and Wool Section of Federated Farmers still favours the maintenance of a meat board which is accountable primarily to producers. It seems likely that producers will become increasingly disillusioned with the Meat Board as a means of improving their economic position, particularly as the M Board's regulatory powers have been significantly reduced in practice. As the Meat Board's marketing operation is forced to operate on the same basis as other meat companies, farmers must question whether there is any longer a need for a compulsory statutory board, which they are required to contribute to financially. Farmers may perceive they can achieve their goals more effectively through forming their own cooperatives and marketing groups and ensuring greater accountability from existing cooperatives. A study of grassroots farmer perception of the Meat Board would be a useful corollary to this research.

4. Summary

The available international literature suggests that some form of institutional framework is desirable for agricultural industries, to provide general supervision. This institutional framework is likely to consist of widely representative industry organisations such as commodity commissions or ad hoc bodies, rather than the highly centralised producer dominated boards. These bodies could be responsible for sponsoring research and development, devising and supervising a national grading system, generating, analysing and disseminating market views, encouraging

cooperation, and in some instances administering commodity schemes, and acting as buyers of the last resort.¹

To some extent these developments are likely to apply to a number of agricultural industries in New Zealand under the present Labour government, and there are clearly factions of the National opposition who support these changes. This government has sought to de-regulate a number of agricultural industries including the milk, wheat and meat industries in an attempt to reduce the degree of centralised control over market forces. This has significantly reduced the powers of the producer boards concerned, though they have not been abolished.² On the other hand, the government recognises the need for some form of strong and effective framework to ensure the efficient development of the industries concerned. It also appears to want to initiate this framework to ensure it is in line with its overall policy direction.

This government attitude has the support of trade and marketing consultant, Rowland Woods. He claims some institutional framework is necessary at the very least to establish consistent quality and health standards. It is also necessary to coordinate and underpin the establishment of marketing priorities and strategies and to ensure satisfactory communications between the market and various elements in the chain from producer to consumer. He claims that in a small country like New Zealand, there are especially compelling reasons for coordinating activities, for cooperation, and for sharing basic services over as wide a base as possible. However coordination and cooperation, even on a wide scale do not necessarily mean central control or even a large degree of central planning.³

1. T. K. Warley, "A Synoptic View of Agricultural Marketing Organisations in the UK", in Warley (ed), op.cit. p.339.

2. However there are indications that the New Zealand Wheat Board could be abolished in the near future.

3. Rowland Woods, "The Prospects for New Zealand Agriculture in a Changing world", op.cit.

For the meat industry specifically, there has been a clear move away from monopoly control of the industry by the Meat Board, to a greater emphasis on an industry-wide body to provide general supervision. This supervision can be provided by either of the two existing bodies, the MIC or the Market Development Board, or a combination of the two. With the minimal functions required of such an organisation however, it seems likely one of these organisations would suffice. With the government's desire to set the guidelines for any overseeing body to ensure the development of the industry is in line with the government's broader policy directions rather than leave it to the vested industry interests to determine, it is probable that the Market Development Board will be the preferred choice. The Meat Board is likely to remain with its limited powers until a majority of producers agree they could achieve greater benefits through existing and new voluntary producer cooperatives and marketing groups.

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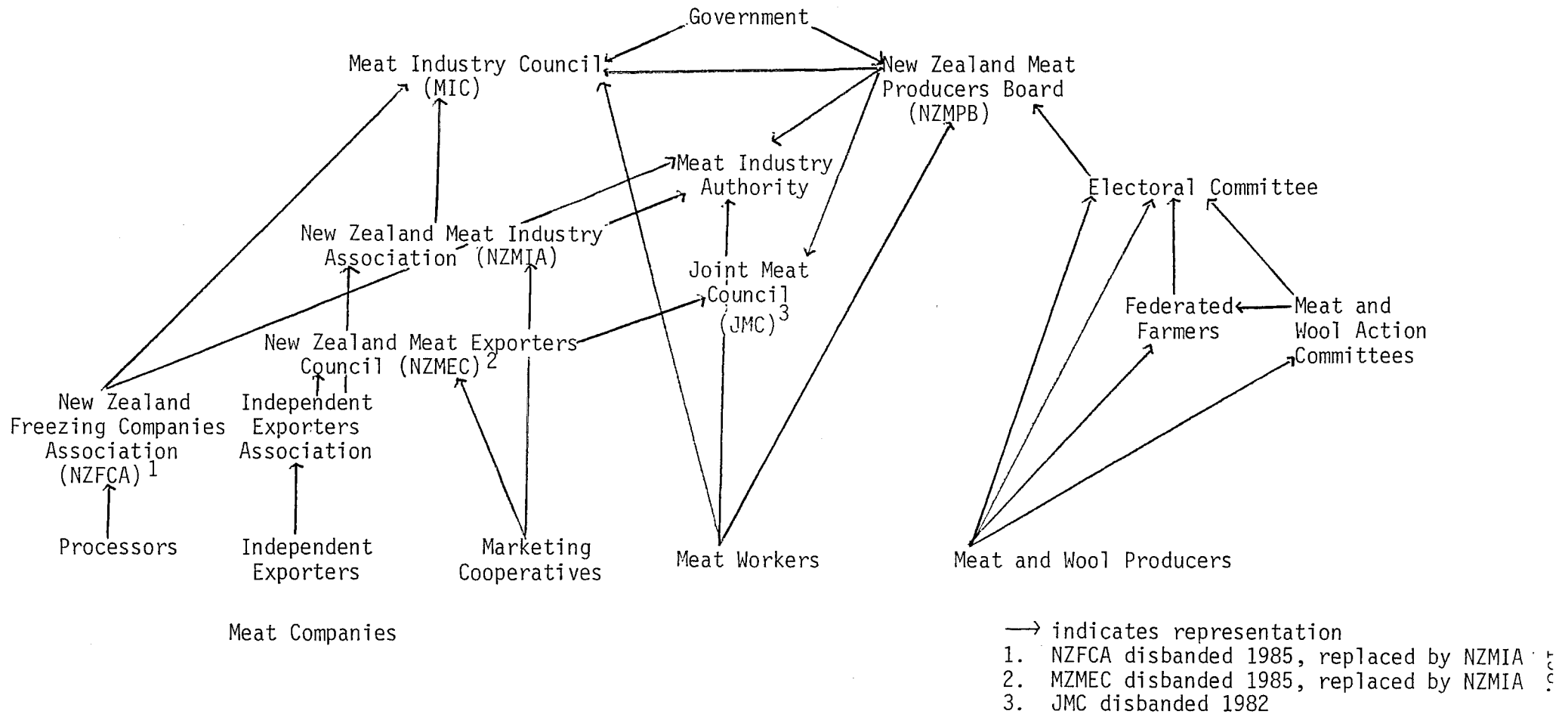
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: Dairy Executive Officer, Don Stewart.
: Meat and Wool Section Executive Officer,
Graeme Jenner.

APPENDIX 1

INTERRELATIONSHIP OF MAJOR GROUPS IN THE MEAT INDUSTRY REFERRED TO IN THIS THESIS



APPENDIX 2

The functions of the Meat Industry Council under 1983 National government.

1. To examine, comment and approve the strategies and plans, as set out in the Task Force report, which are developed jointly by industry and the Meat Board.
2. To monitor industry and the Meat Producers Board performance in the execution of strategies and marketing plans, and to report annually to the Minister of Agriculture and to industry.
3. To review regularly, and to cover in its annual reports to the Minister of Agriculture, the following matters:
 - .. the criteria and methods by which licences are issued to exporters;
 - .. the methods by which the number of licences to be issued for each market is determined and how these criteria are implemented;
 - .. the methods of determining prices paid by exporters to the Meat Producers Board for product;
 - .. the effects of national pooling of product on the industry and the necessity of continuing with national pooling;
 - .. the circumstances under which it is permissible for farmers/processors/exporters to make 'outside pool' contractual arrangements;
 - .. the operation of the Meat Board Price Stabilisation Scheme, its relationship to any government price support scheme, and the effect of such schemes on the meat industry's performance;
 - .. the criteria on which the industry's performance should be judged and the industry's actual (including Meat Producers Board) performance;

Appendix 2

- .. the coordination of industry/government negotiations and consultations on access to overseas markets;
 - .. the effectiveness of the promotion of New Zealand meat and the gathering of market intelligence;
 - .. the coordination of research with industry-wide application.
4. To establish procedures for the settlement of disputes between exporters/processors and the Meat Producers Board.
 5. To establish qualitative criteria for the issuing of export/distribution licences by the Meat Producers Board; and review the manner in which these licences are issued.
 6. National weight/grade pools should be established by the Meat Board.
 7. Provision should be made for 'outside pool' contractual arrangements between farmers, processors, and exporters for specialist markets.

APPENDIX 3

MEMBERS OF THE MARKET DEVELOPMENT BOARD

Mr Peter Shirtcliffe (Chairman), Wellington
Formerly Managing Director, Goodman Group Ltd.

Mr Mike Andrews
Chairman and Chief Executive, Worley Group Ltd, Auckland.

Dr Don Brash
Managing Director, New Zealand Kiwifruit Authority, Auckland.

Mr Malcolm Cameron
Director-General, Agriculture and Fisheries, Wellington.

Mr Harry Clark
Secretary, Trade and Industry Department, Wellington.

Mr Jack Hazlett
President, New Zealand Chamber of Commerce, Wellington.

Mr Bernie Knowles
Managing Director, New Zealand Wool Board.

Mr Jim Knox
President, Federation of Labour.

Mr Merv Norrish
Secretary, Foreign Affairs, Wellington.

Mr Earl Richardson
Past President, New Zealand Manufacturers Federation, Auckland.

Mr Brian Service
President, New Zealand Milk Products Inc, Petulama, LA, USA.

Ms Sue Suckling
Manager, Pacific Foods Ltd, Christchurch

Mr Rodney Walshe
Chairman, South Pacific Travel Ltd, Auckland.

Mr Stuart Young
Executive Chairman, Interlock Industries Ltd, Wellington.